WELLS FARGO
Investment Institute

January 2022

Vision Investing

Values, Impact, and ESG

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

What's inside

Aligning investments with values

Once a niche corner of the investing landscape, the idea of aligning personal values with investment portfolios has gone mainstream. Increasing demand has been met with a broad range of solutions focused on everything from environmental sustainability to religious beliefs.

This report will cover:

- How can investors integrate personal values into investments?
- Have sustainable/responsible investing and ESG gone mainstream?
- Do investors have to forgo profits for principles?
- What challenges are emerging as this landscape evolves?

What is Vision Investing?

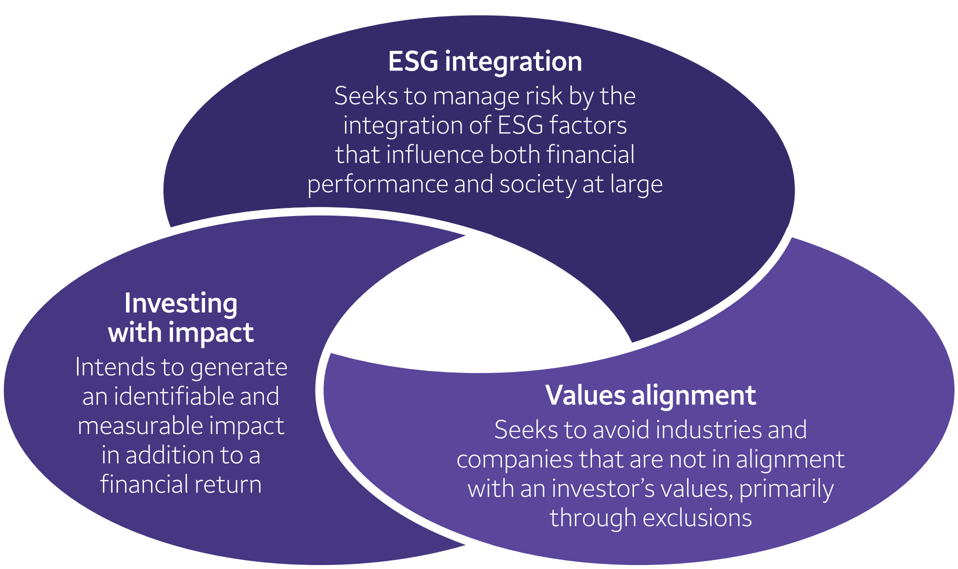
Investing that aligns financial objectives with personal values or creates measurable impact has often been called *responsible* or *sustainable investing*. Another trend gaining prominence is the incorporation of environmental, social, and governance (ESG) considerations into the investment process.

Wells Fargo calls the intersection of values-alignment, investing with impact, and ESG integration with traditional investment considerations: **Vision Investing: Values, Impact, and ESG**.

Wells Fargo Vision Investing could include:

- A comprehensive integration of ESG assessment into the investment management process
- Strategies that align investment portfolios with client values
- Active ownership practices including engagement and proxy voting to achieve impact

Three pillars of Vision Investing



In the interest of being concise and consistent, for the purposes of this report we will use "sustainable investing" to refer to the complete subset Vision Investing, including values, impact, and sustainable investing.

A look back: The evolution of investing with a purpose

1760 John Wesley, the founder of the Methodist movement, outlines the basic tenets of social investing in his "The Use of Money" sermon.

1898 Quakers Friends Fiduciary Corporation adopts a policy of avoiding investment in weapons, alcohol, or tobacco.

1928 Ecclesiastical group in Boston led by former World War I aviator Philip Carret launches the Fidelity Mutual Trust — the first publicly offered **socially responsible investment** fund.

1969 Dow Chemical ceases production of napalm following proxy statement proposal from The Medical Committee for Human Rights.

1971 Pax World launches the first sustainable mutual fund.

1972 Journalist Milton Moskowitz constructs a list of "socially responsible stocks," to track performance against broad market indexes.

1984 U.S. Sustainable Investment Forum (US SIF) is launched amid growing concern about the environment and climate change.

1986 U.S. Congress passes the Comprehensive Anti-Apartheid Act, banning new investment in South Africa.

2006 United Nations establishes the Principles for Responsible Investment (UN PRI).

2008 World Bank launches the first green bond.

2011 The Sustainability Accounting Standards Board (SASB) forms with a mission to establish industry-specific standards for corporate reporting on ESG issues.

2015 Paris Agreement is adopted by 196 countries following the United Nations Framework Convention on Climate Change.

2018 BlackRock CEO Larry Fink urges companies to reassess the role of the corporation in society.

2019 181 CEOs sign a Business Roundtable Statement on the Purpose of a Corporation to lead their companies for the benefit of all stakeholders.

2019 In an effort to eliminate greenwashing, the European Parliament becomes the first regulator to classify what counts as a sustainable financial product.

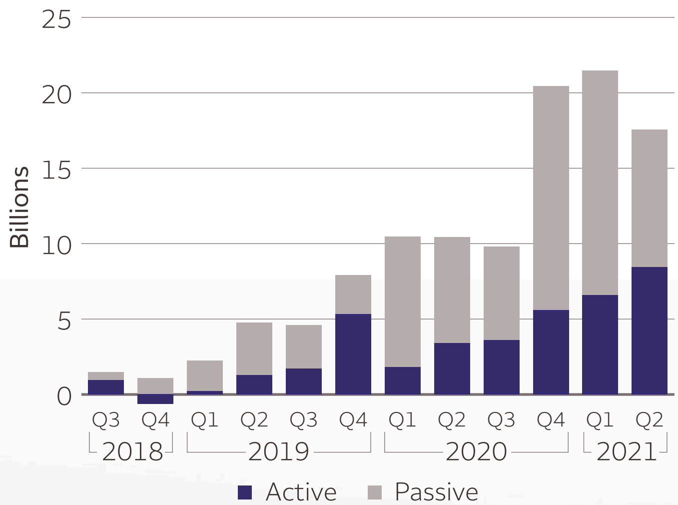
2021 Wells Fargo announces a goal of net zero greenhouse gas emissions — including financed emissions — by 2050.

Dating back to the 1960s, sustainable investing was relegated to the periphery of the investment landscape. After a slow but steady increase in interest for nearly a half-century, adoption accelerated following the financial crisis of 2008, particularly in Europe. The trend of aligning investments with personal values finally broke into the mainstream in the United States in the mid 2010s. According to a recent study, U.S. assets under management nearly quadrupled from 2015 to 2020. Sustainable investing then experienced a meteoric uptick in interest amid the COVID-19 pandemic of 2020, with nearly 25% of all U.S. net mutual fund flows going into sustainable products in 2020.[1]

Sustainable investing accounts for about $1 out of every $3 under professional management in the U.S.[1]

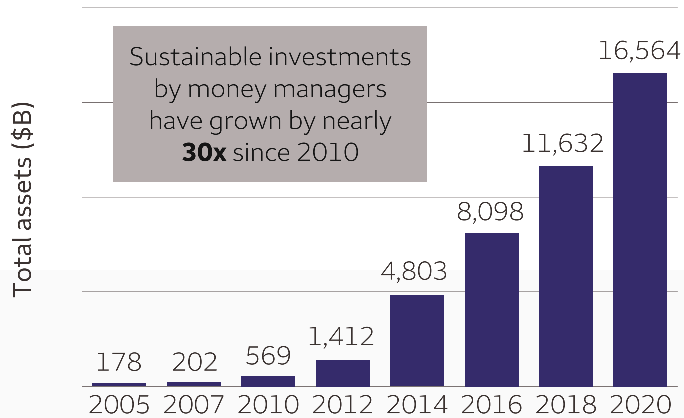
Sustainable Investing interest began to accelerate after the 2008 global financial crisis. Following a half-century of slow progress, assets under management have increased 30-fold since 2010.

Sustainable funds annual flows



Source: Morningstar: Data as of June 30, 2021. Includes sustainable funds as defined in Sustainable Funds U.S. Landscape Report, February 2020. Includes funds that have been liquidated; does not include funds of funds.

U.S. sustainable asset growth 2005 – 2020



Source: US SIF — The Forum for Sustainable and Impact Investing — Money Managers 2020 Report. Data through 2020. Growth of ESG Incorporation by Money Managers 2005 – 2020 graphic. For illustrative purposes only. **Past performance is no guarantee of future results**.

1. US SIF Foundation Report on US Sustainable and Impact Investing Trends – 2020

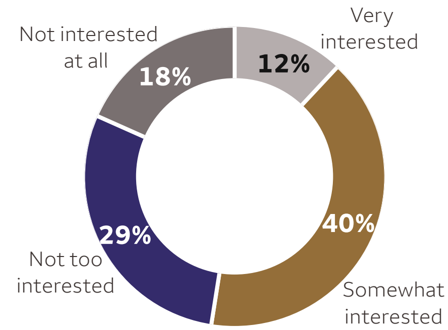
Increasing demand

Investor demand has been a key growth driver for sustainable investment strategies, and managers have risen to the challenge. The number of sustainable funds approximately quadrupled from 2011 to 2020 (see chart below), although some of this growth can be attributed to existing funds that have added ESG factors to their list of investment considerations.

A common misconception is that this demand is mainly driven by younger investors. Yet, research suggests that investors across generations are interested in sustainable investing. Millennials are apt to discuss sustainable investing with their financial advisors, but the other generational cohorts also have an interest in the approach.

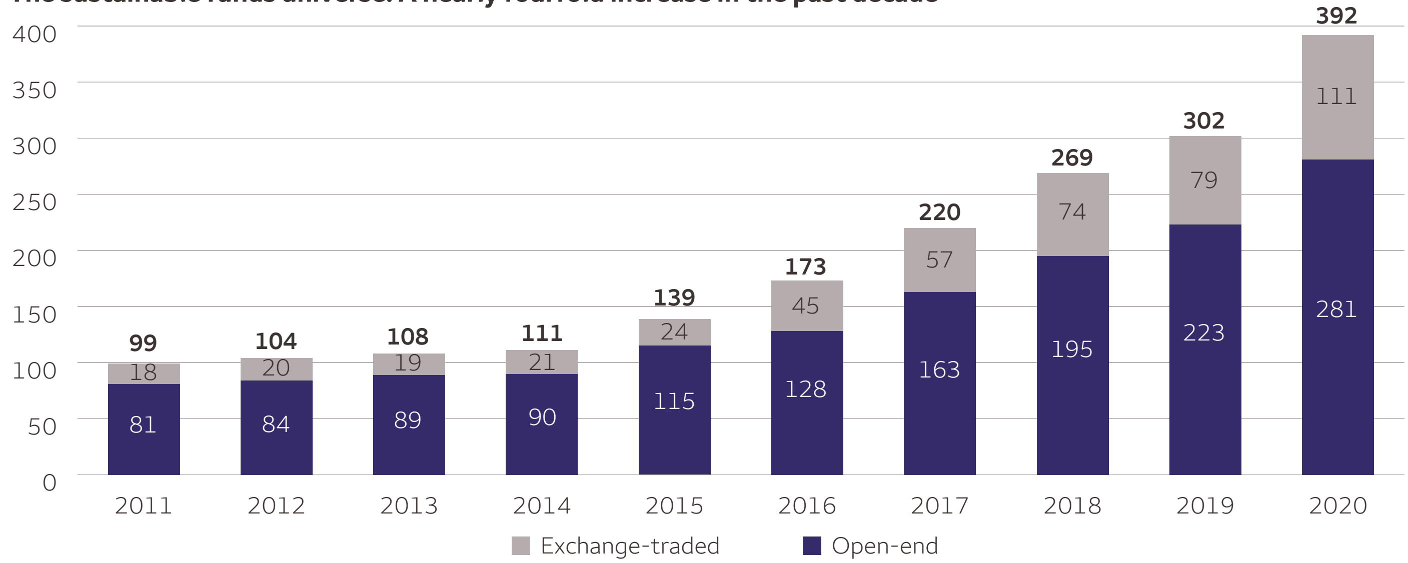
A 2020 Wells Fargo/Gallup survey found that more than half of investors surveyed say they are interested in sustainable investing when presented with the full definition. Additionally, 69% of investors would choose to use these types of investments in their retirement accounts if they were given the option to do so. If the gap in perception between those interested in sustainable investing and those already invested in these funds starts to close, the demand could grow even faster than its current pace.

Level of interest in investing in sustainable investing funds



Wells Fargo/Gallup Investor and Retirement Survey, February 2020. Question: How interested are you in investing in sustainable investing funds? (Total surveyed = 1,019; Men = 611, Women = 408, Millennials = 124, Gen X = 263, Boomers = 620)

The sustainable funds universe: A nearly fourfold increase in the past decade



Source: Morningstar Direct. Data as of December 31, 2020. Note: Includes funds that have been liquidated during this period.

ESG integration is increasing rapidly

While client interest and growth in sustainable investing has broadly accelerated, one trend that has gained particular prominence in recent years is the integration of financially material ESG factors into investment decision-making. Often referred to as *ESG investing, ESG integration,* or sometimes just *ESG*, it is important to note that such an approach is not necessarily synonymous with values-aligned investing (more on this later).

> *"ESG is a process, not a result."*

What is ESG?

Simply stated, in the context of investing, ESG is the intentional consideration of financially material environmental, social, and governance factors when analyzing a company or potential investment. While interest and adoption have accelerated in recent years, some elements of ESG analysis are not particularly new. Rather, it is just an extension of traditional fundamental analysis and is used to gain a more comprehensive understanding of a company. Importantly, ESG is an assessment of risks and opportunities relating to ESG factors. But ESG is not an explicit commitment to avoid investment in high-ESG-risk securities.

Environmental
- Climate change
- Green building
- Renewable energy
- Water stress/pollution

Governance
- Board structure
- Business ethics & fraud
- Corruption
- Executive compensation

Social
- Consumer protection
- Diversity & inclusion
- Labor standards
- Privacy & data security

Company data — quality and quantity

On the other side of the equation, for investors to be able to incorporate ESG factors into their investment decisions, they need ESG data. Historically ESG-related data has been inconsistent or nonexistent as many ESG factors have not been required to be reported by companies. The quality and quantity of ESG data is increasing rapidly, though, as investors are demanding it from corporations, there are significant new regulations requiring ESG reporting (especially in the European Union), and corporations themselves are recognizing the benefits of tracking — and reporting — financially material ESG metrics. Furthermore, organizations such as the Sustainability Accounting Standards Board (SASB) have taken great steps in setting an industry standard of ESG disclosure through their industry-specific accounting standards. These standards allow companies and investors to consider codified, market-based criteria to measure, manage, and report sustainability standards.

We think there is still work to be done in standardizing oversight. As of right now, especially on the investment market side, there is not an industry-wide regulation as to what is an *ESG* or *sustainable investment*. Unfortunately, there has been evidence of significant *greenwashing* (the practice of making an investment seem more sustainable than it is). Especially until more regulation is in place that sets clear standards in the investment space, we believe that it is important for investors to understand the various levels of ESG factor implementation and engagement before making their investment choices. (See our classification system on the next page.)

A recent survey found that all of the 30 largest investment management firms in the U.S. now claim ESG integration capabilities.[2]

Becoming a signatory of the UN PRI — as most asset managers are now — comes with the explicit commitment to incorporate ESG factors into every investment decision.

2. **Source:** The Journal of Impact and ESG Investing, Fall 2020

Our approach to ESG transparency

A five-category analysis of ESG managers

To respond to demand for increasing clarity around ESG-related considerations and to cut through any potential *greenwashing*,* we have created a proprietary ESG Analysis Assessment Framework. The framework builds ESG considerations into our standard due diligence process. The criteria begins with a qualitative assessment of the investment management firm but ultimately focuses on the implementation approach used by specific investment/portfolio managers and products.[3]

**Greenwashing is the practice of making an investment seem more sustainable than it actually is. The ESG Analysis Assessment Framework was designed, in part, to address greenwashing.*

> *"We employ a top-down and forward-looking approach to identify the intentionality of a manager to incorporate financially material ESG analysis."*

GMR ESG Analysis Assessment Framework

1 **Immaterial or not applicable**

- No or minimal consideration of ESG factors
- ESG analysis may not be applicable to the investment process

2 **Aware**

- Some consideration of ESG factors (all three)
- The manager can speak to broad ESG themes and how they relate to the portfolio
- ESG analysis is primarily a risk mitigation tool and not a main driver of idea generation

3 **Integrated**

- ESG analysis is a key part of the investment process
- The manager can speak to granular ESG themes with a firm grasp and appreciation of materiality
- ESG analysis is a risk mitigation tool and one component of idea generation

4 **Key driver**

- ESG analysis is a key element of the investment process, including idea generation
- Likely there is an individual or team dedicated to ESG analysis
- There is a fully incorporated proprietary ESG integration methodology

5 **Impact leader**

- Leader in positive impact and pioneer in ESG analysis and application
- "Impact" could include, but should not be limited to, selective investment, encouraged divestment, proxy voting, direct company engagement, and collaborative sustainability efforts
- Actively work to improve the ESG profile of companies held in the portfolio

3. Wells Fargo Investment Institute "The Global Manager Research (GMR) ESG Analysis Assessment Framework – Overview," March 15, 2021

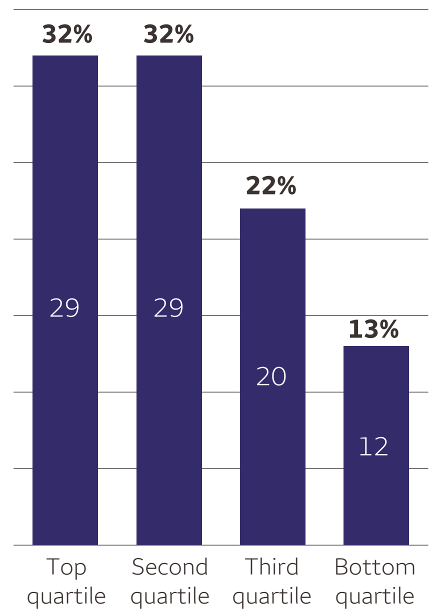
The double bottom line

You don't have to trade profits for principles

One misconception is that investors must sacrifice performance to align portfolios with their values. A 2020 Wells Fargo/Gallup survey showed that only 11% of those surveyed already invest in sustainable investments, despite widespread interest.[4] This discrepancy may stem from the misconception that these strategies underperform the market. Only one-third of those surveyed believed that sustainable investments match or outperform the market, on average.

Our research indicates that investors do not need to forgo return potential to align their portfolios with their values. To the contrary, a growing body of evidence suggests that financial performance of companies using ESG strategies is commensurate with those that do not.[5] Moreover, as shown in the graphic below, adjusting for certain fundamental differences such as style and sector, U.S. ESG stocks showed comparable returns to those of other U.S. stocks.

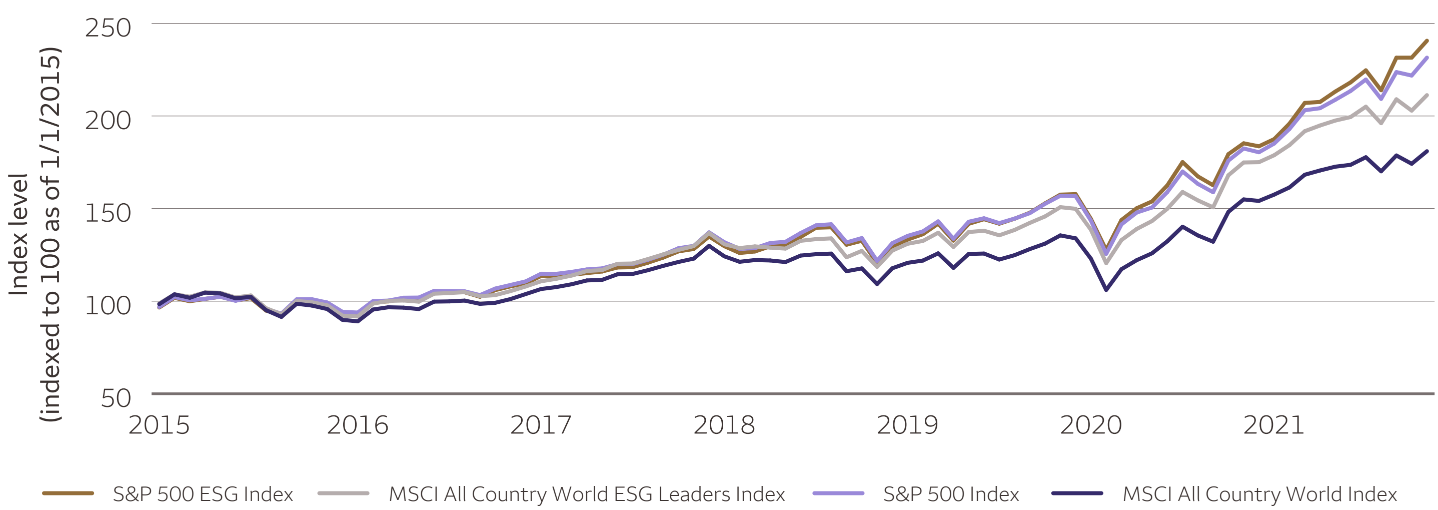
Sustainable fund five-year performance relative to category



Source: Morningstar Direct. Data as of 12/31/2019. Data compares funds recognized by Morningstar in its ESG category vs non ESG funds in its particular peer.

ESG-related stocks have tended to keep pace

Our research has shown that ESG-related stocks have shown comparable returns to non-ESG-related stocks over time, adjusting for fundamental differences such as style and sector.



Sources: Bloomberg and Wells Fargo Investment Institute, as of December 31, 2021. **Past performance is no guarantee of future results.** An index is unmanaged and not available for direct investment. Please see the end of this report for the definitions of indexes and descriptions of asset-class risks.

4. Wells Fargo/Gallup Investor and Retirement Survey, February 2020

5. In fact, more than 90% of the 2,200 individual studies reviewed by the Journal of Sustainable Finance & Investment have shown a nonnegative relationship between ESG and corporate financial performance, with a majority of findings showing positive results.

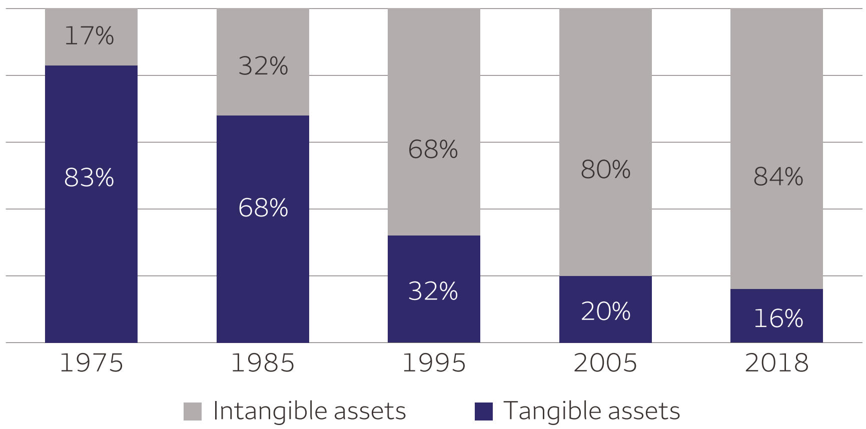
ESG analysis, risk, and financial materiality

Material ESG issues — such as a restaurant company's sick-leave policies, methane leaks for a natural gas company, or diversity in content for a media company — are likely to impact a company's financial condition or operating performance. The analysis of these sorts of financially material ESG factors attempts to quantify and assess certain types of intangible risk that companies face given the shifting regulatory landscape, changing social norms, and increased reputational risks. These factors, which were historically overlooked in traditional financial analysis, are increasing in significance today thanks to the changing way in which value is assessed.

Most material ESG issues aren't likely to show up in a company's quarterly earnings report, but they do influence intangible value, which is becoming more and more important in today's economic landscape.

- In 1975, tangible assets like land and equipment made up more than 80% of the value in the S&P 500 Index.
- In 2018, intangible assets like reputation, brand value, and intellectual property made up 84% of the S&P 500 Index's value.

The changing landscape of value: Tangible vs. intangible



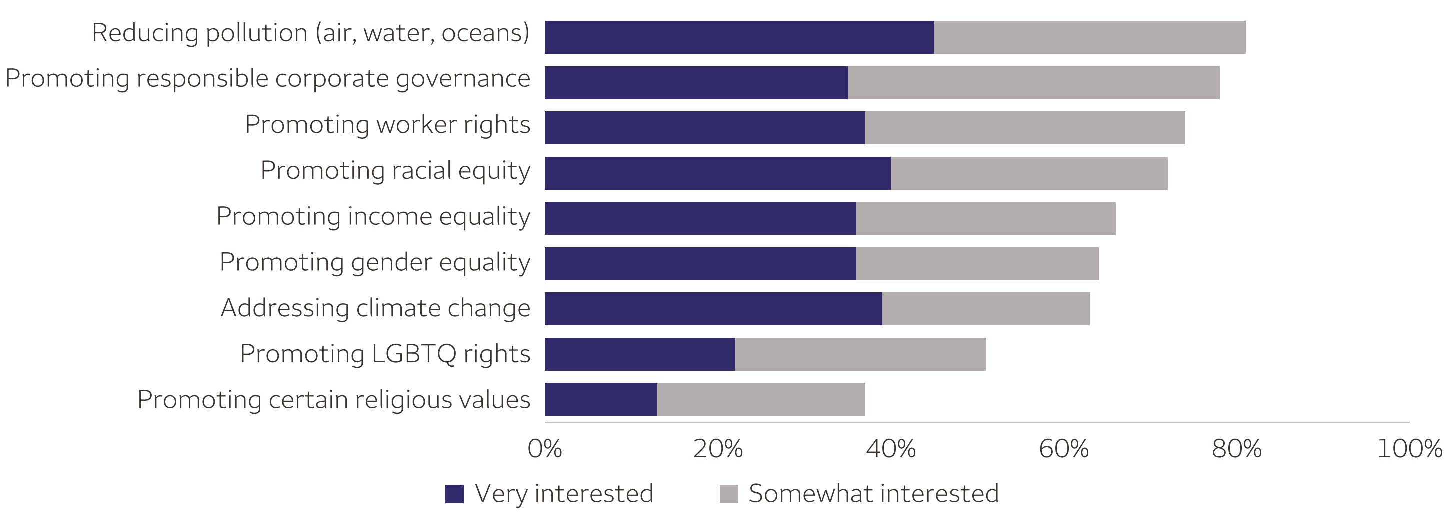
Source: Aon Corporation; 2019 Intangible Assets Financial Statement Impact Comparison Report. Tangible versus intangible assets for S&P 500 companies as of December 2020; this reflects the most recent data available.

A closer look at values-aligned investing

Proponents of sustainable investing tend to take a holistic view of both risk and return. For example, ESG-driven investors might believe that focusing on companies that place a high value on their employees will tend to result in fewer lawsuits and improved employee retention over long periods. So while there may be traditional financial benefits to values-aligned investing, it is not always about just maximizing potential financial return. In contrast to traditional investing, values-aligned investing approaches are about maximizing financial benefits but within the context of a broader, tangential goal. Values-aligned investing seeks to go beyond financial returns in order to further a societal or values-based goal, such as divestment from a particular company, sector, or industry, or overweight exposure to particularly social conscience companies. In some instances, values-aligned investing may be willing to sacrifice potential investment returns (usually through diversification reduction) in order to achieve the broader goal alignment. As such, in direct contrast to ESG, **values-aligned investing is a result**, not a process.

"Values-aligned investing seeks to go beyond financial returns in order to further a societal or values-based goal."

Furthermore, there is no one definition of values-alignment, as investors care about different issues. When asked about which issues have the strongest impact on their investment decisions, many investors highlighted environmental issues like reducing pollution and protecting the environment. However, social issues — such as corporate policies relating to the COVID-19 pandemic or racial and gender equality — and governance issues — including business practices and financial transparency — are viewed as equally important.

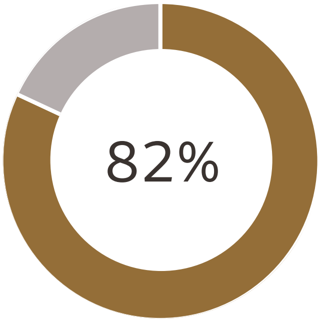


Source: Wells Fargo/Gallup Investor and Retirement Survey, February 2020. Question format: How likely are you to invest in funds that are focused on each of the following issues or goals? Very interested, somewhat interested, not too interested, or not interested at all. The Wells Fargo/Gallup Investor and Retirement Optimism Index poll was conducted online February 10 – 15 using the Gallup Panel, a probability-based longitudinal panel of U.S. adults. The results are based on 1,029 investors aged 18+ with $10,000 or more invested in stocks or bonds, either individually or as part of a retirement or mutual fund.

The growing demand for values-alignment

Demand for values-aligned investments has been widespread and increasing. While historically institutional investing has led the way, retail investor demand has been a key growth driver for sustainable investment strategies more recently. Investment managers have risen to the challenge of the surge in demand with a considerable increase in the number of products available. The number of sustainable funds approximately quadrupled from 2011 to 2020, although some of this growth can be attributed to existing funds that have added ESG factors to their list of investment considerations.

A 2020 Wells Fargo/Gallup survey found that more than 8 of 10 investors surveyed showed interest in choosing investments based on the environment, human rights, diversity, and other social issues — if those investments provided returns similar to the market average. If the gap in perception between those interested in sustainable investing and those already invested in these funds starts to close, the demand could grow even faster than its current pace.



82% of millennials indicate that they are interested in having some money in sustainable investments, and about half of baby boomers and Generation Xers expressed interest as well.

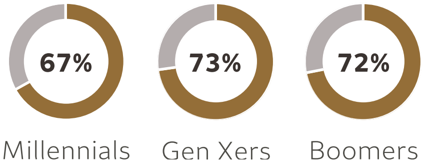
Assets under management with an eye toward key ESG-related issues continues to grow

	Climate change/ carbon	Anti-corruption	Board issues	Sustainable natural resources/ agriculture	Executive pay
Money managers	$4.18 trillion	$2.44 trillion	$2.39 trillion	$2.38 trillion	$2.22 trillion

	Climate change/ carbon	Anti-corruption	Board issues	Sustainable natural resources/ agriculture	Executive pay
Institutional investors	$2.73 trillion	$2.61 trillion	$2.47 trillion	$2.28 trillion	$2.18 trillion

Source: The Forum for Sustainable and Responsible Investment (US SIF) 2020 Report on US Sustainable, Responsible and Impact Investing Trends Money Manager and Institutional Investor Fact Sheet. Data as of December 31, 2020.

It's not just the younger generations



73% of Generation Xers surveyed said that they are likely to invest in companies that align with their values, while 67% of millennials and 72% of baby boomers feel the same.

Source: Gallup Survey Wells Fargo/Gallup Investor and Retirement Survey, February 2020.

What is the impact in *impact investing?*

Impact investing is the practice of using investments to generate identifiable and measurable positive impact in addition to financial returns. Rather than simply avoiding investments that may do harm, impact investing is about investing in a way that actively does good. The impact potential of different types of investments and approaches varies widely. In private markets, impact can often be direct — invested dollars can be used to fund very clear and targeted problems in niche segments of the market. In the public markets, the actual impact of investments is more challenging to quantify — despite many current claims of "impact" by investment products.

One practice that has demonstrated tangible success in the public markets is focused and consistent corporate engagement. Corporate engagement is not unique to impact investing — investors have long engaged with companies seeking to create shareholder value. Impact engagement seeks to create stakeholder value through an agenda benefiting society as a whole.

Key areas for impact engagement are:

Disclosure	Reporting multiple years of reliable ESG data using comparable metrics to peers communicates that a company seeks to be a true ESG leader, it is not merely "greenwashing" (that is, misleading customers and investors).
Climate change	Climate change is a major societal challenge, but conventional risk management tools are of limited value. For climate change, we believe it cannot be business-as-usual; there is too much at stake.
Diversity	Diverse and inclusive cultures may drive creativity, innovation, and problem-solving. This may contribute to greater employee engagement and customer satisfaction.
Corporate governance	We believe that effective management of the board of directors, shareholders' rights, executive compensation, and other issues related to corporate governance are key for companies to deliver value over the long term.

Active ownership: Impact through engagement

Engagement efforts can focus on a broad array of topics. At Wells Fargo Wealth and Investment Management, the Social Impact Investing team focuses on risk and financial materiality as well as the impact to society and the environment when selecting our engagement priorities. Our engagements usually focus on topics identified in the United Nations (UN) Sustainable Development Goals (SDGs). The SDGs are an articulation of the world's most pressing global sustainability challenges, as agreed upon by all 193 member states of the UN in 2015. Increasingly, asset managers are using the SDGs as a metric to assess the positively aligned impact of their portfolios and engagements to the various goals.

"The SDGs provide all businesses with a new lens through which to translate the world's needs and ambitions into business solutions. These solutions will enable companies to better manage their risks, anticipate consumer demand, build positions in growth markets, secure access to needed resources, and strengthen their supply chains, while moving the world towards a sustainable and inclusive development path."

– International Chamber of Commerce

SUSTAINABLE DEVELOPMENT GOALS

1. No poverty
2. Zero hunger
3. **Good health and well-being**
4. **Quality education**
5. **Gender equality**
6. Clear water and sanitation
7. Affordable and clean energy
8. **Decent work and economic growth**
9. Industry, innovation, and infrastructure
10. Reduced inequalities
11. Sustainable cities and communities
12. Responsible consumption and production
13. **Climate action**
14. Life below water
15. Life on land
16. **Peace, justice, and strong institutions**
17. **Partnership for the goals**

The Wells Fargo Wealth and Investment Management Social Impact Investing team has focused its recent engagements on:

- Climate change (**Climate action**)
- Disclosure (**Partnership for the goals**)
- Human capital (**Good health and well-being, Quality education, Gender equality, Decent work and economic growth**)
- Corporate governance (**Peace, justice, and strong institutions**)

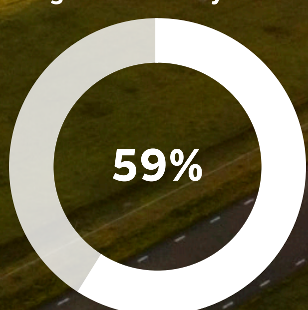
Source: International Chamber of Commerce, "SDG Business Forum 2017, High-level Political Forum, United Nations: Business Statement — Business is stepping up for transformational partnerships." SDG chart used with permission, courtesy of United Nations Sustainability Development Goals.

The future of sustainable investing — challenges and trends

Notable challenges

Despite the recent growth in demand for sustainable investments, we believe there are still a number of challenges and barriers to widespread adoption, including a lack of standardized terminology, uniformity in data collection, and oversight and accountability. A joint survey by the United Nations (UN) and CFA Institute showed that 43% of U.S. investors cited a lack of historical ESG performance data and 41% cited limited understanding of ESG issues as the top barriers to adoption.

The knowledge gap for sustainable investing is wide today



59% of respondents are not aware that an ESG approach to saving and investing is even possible

Reasons for not currently investing in sustainable investing funds

Lack of familiarity is the biggest reason investors give for not currently using sustainable investing funds

	Major factor	Minor factor	Not a factor
Don't know enough about them	47%	24%	30%
Not offered by financial advisor or 401(k) plan	37%	14%	49%
Not interested	36%	24%	40%
Think the investments will not perform well	34%	28%	37%

Source: Vontobel, Drive Positive Change With ESG, September 2019. Data is rounded to the nearest percent.

ESG challenges

Although sustainable investing faces certain challenges, we believe that these are improving as the industry continues to coalesce. We expect that an eventual convergence of terminology, improved data reporting, and more clear-cut regulatory oversight likely will support demand growth for sustainable investment strategies. Various regulatory bodies and organizations like the European Union, the CFA Institute, the Carbon Disclosure Project, and even the SEC are taking steps to improve oversight and consistency.

Lack of standardized terminology	Definitions of sustainable, values-aligned, or impact investing can vary widely from firm to firm. For instance, the acronym "SRI" could mean socially responsible investing or it could mean sustainable, responsible, and impact investing.
Lack of standardization of data	According to *The Wall Street Journal*, "There is often little overlap" in how ESG ratings agencies rate a company.[6] There is more uniformity, however, when ratings agencies such as Moody's Investors Service (Moody's) and Standard & Poor's (S&P) grade the same companies for their creditworthiness.[7]
Lack of oversight and accountability	Due to the relatively new advent of most sustainable investing strategies, regulatory oversight generally has been lacking. The UN has developed 17 Sustainable Development goals, but adoption is voluntary in most countries. The UN also supports Principles for Sustainable Investment, but its six main tenets are self-described as "voluntary and aspirational." Furthermore, a 2018 study by Bain & Co., a consultancy, found that just 2% of companies beat or even achieved their self-stated sustainability goals.[8]

Issues

- **Three in four U.S. investors are not familiar with the concept of sustainable investing**, saying they have heard little or nothing about it. Lack of familiarity is the biggest reason investors give for not currently using sustainable investing funds.

- **Relatively few U.S. investors report hearing about sustainable investing from a financial professional, family or friend, or through the media**. For 24%, their largest source of knowledge comes from their own research.

Source: Wells Fargo/Gallup Investor and Retirement Survey, February 2020

6. "Why It's so Hard to Be an 'Ethical' Investor," The Wall Street Journal, September 1, 2018

7. Berg, Koelbel, and Rigobon, "Aggregate Confusion: The Divergence of ESG Ratings," August 2019, MIT Sloan Research Paper No. 5822-19

8. https://bcorporation.net

Committing to a low-carbon economy

In March 2021, Wells Fargo announced major commitments to support the transition to a low-carbon economy by setting a goal of net zero greenhouse gas emissions — including our financed emissions — by 2050.

Five areas of focus were outlined:

- Setting a goal to achieve net zero greenhouse gas emissions by 2050
- Committing to disclose the company's approach to measuring financed emissions and providing more robust emissions data
- Setting interim emission reduction targets for select carbon-intensive portfolios, including oil and gas, and power
- Establishing an Institute for Sustainable Finance
- Integrating climate considerations into our Risk Management Framework

"Climate change is one of the most urgent environmental and social issues of our time, and we are committed to aligning our activities to support the goals of the Paris Agreement and to helping transition to a net zero carbon economy. The risks of not taking action are too great to ignore, and collective action is needed to avoid the significant impact of climate change on our most vulnerable communities."

– Charlie Scharf, Wells Fargo CEO

Wells Fargo Vision Investing

Global thought leadership	As global challenges become more complex, investors require the latest thinking and solutions. With over three decades of thought leadership on sustainable investing, Wells Fargo delivers insights and opportunities to help guide more impactful investment decisions.
Committed to a sustainable future	Wells Fargo is dedicated to a sustainable future where all communities can prosper. With over $400 million committed to nonprofit organizations nationwide, and $200 billion dedicated to sustainable financing over the next decade, we purposefully invest in the places where we live and do business.
Tailored approaches designed to help drive client outcomes	By following a detailed discovery process, our financial professionals are able to fully align our clients' goals to Vision Investing strategies that address a wide spectrum of interests.
Active leaders in driving change	As an active member in global organizations and through our commitment to the United Nations' Sustainable Development Goals, we provide investment solutions that help clients make a positive global impact.

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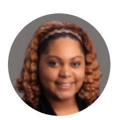

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Definitions

The **MSCI All Country World Index (ACWI)** captures large- and mid-cap representation across 23 developed market and 26 emerging market countries.

The **MSCI ACWI ESG Leaders Index** is a capitalization-weighted index that provides exposure to companies with high environmental, social, and governance (ESG) performance relative to their sector peers. The MSCI ACWI ESG Leaders Index consists of large- and mid-cap companies across 23 developed market and 26 emerging market countries.

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The **S&P 500 Index** consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market-value-weighted index with each stock's weight in the index proportionate to its market value.

The **S&P 500 ESG Index** is a broad-based, market-cap-weighted index that is designed to measure the performance of securities meeting sustainability criteria while maintaining similar overall industry group weights as the S&P 500 Index.

An index is unmanaged and not available for direct investment.

Risk considerations

All investing involve risks, including the possible loss of principal. There can be no assurance that any investment strategy will be successful. Investments fluctuate with changes in market and economic conditions and in different environments due to numerous factors, some of which may be unpredictable. 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.

Sustainable investing focuses on companies that demonstrate adherence to environmental, social, and corporate governance principles, among other values. There is no assurance that social impact investing can be an effective strategy under all market conditions. Different investment styles tend to shift in and out of favor.

The risks associated with the representative index asset classes discussed in this report include: **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. **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.

Alternative investments, such as private equity, are speculative and involve a high degree of risk that is suitable only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in a fund and for which the fund does not represent a complete investment program. 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 and private capital 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.

Exchange-traded funds (ETFs) seek investment results that, before expenses, generally correspond to the price and yield of a particular index. There is no assurance that the price and yield performance of the index can be fully matched.

ETFs and mutual funds are subject to substantially the same risks as individual ownership of these securities would entail. Investment returns may fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost.

Donor-advised donors do not receive investment returns. The amount ultimately available for donor-directed grants may be more or less than donor contributions to the donor-advised fund. While annual giving is encouraged, the donor-advised fund should be viewed as a long-term philanthropic program.

Investment expertise and advice to help you succeed financially

Wells Fargo Investment Institute is home to more than 120 investment professionals focused on investment strategy, asset allocation, portfolio management, manager reviews, and alternative investments. Its mission is to deliver timely, actionable advice that can help investors achieve their financial goals.

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