

# Product Alert

August 13, 2020

## Investment strategy and name changes for the Wells Fargo WealthBuilder Funds

The Wells Fargo Funds Board of Trustees has approved several enhancements to the Wells Fargo WealthBuilder Funds. The changes are intended to create an improved solution for existing and prospective shareholders and are planned to take effect on or around October 30, 2020.

- **Investment strategy changes:** see the below Q&A for details to these changes
  - Revise the neutral asset allocations and ranges for the four WealthBuilder Funds that are multi-asset funds.
  - Increase the range of the Volatility Management Overlay (VMO) from +/- 5% to +/- 10% of the equity allocation for all five WealthBuilder Funds.
- **Fund name changes:** The names of all five Funds will change as shown in the table below, to align with the Funds' positioning as a suite of allocation funds that provide options along a spectrum of investment objectives, strategies and risks:

Current fund name (through 10/29/2020)	New fund name (as of 10/30/2020)
Wells Fargo WealthBuilder Conservative Allocation Fund	Wells Fargo Spectrum Income Allocation Fund
Wells Fargo WealthBuilder Moderate Balanced Fund	Wells Fargo Spectrum Conservative Growth Fund
Wells Fargo WealthBuilder Growth Balanced Fund	Wells Fargo Spectrum Moderate Growth Fund
Wells Fargo WealthBuilder Growth Allocation Fund	Wells Fargo Spectrum Growth Fund
Wells Fargo WealthBuilder Equity Fund	Wells Fargo Spectrum Aggressive Growth Fund

### What changes will be made to the Funds' neutral asset allocations and ranges?

As part of the investment strategy changes, the neutral asset allocations and ranges will be revised for the four WealthBuilder multi-asset funds: Conservative Allocation Fund, Moderate Balanced Fund, Growth Balanced Fund, and Growth Allocation Fund. There will be no changes to the neutral asset allocations or ranges for the WealthBuilder Equity Fund.

The investment strategy changes are intended to implement the Multi-Asset Solutions (MAS) team's revised multi-asset approach to provide more diversified and balanced risk exposures with the objective of improving risk-adjusted returns. The implementation of this new approach will result in increased allocations to underlying fixed income funds. The Fund's allocations will increase slightly to rate-sensitive investments (such as government bonds), and inflation-sensitive investments (such as Treasury Inflation Protected Securities and commodities), and allocations to growth-sensitive investments (such as stocks and corporate bonds) will be reduced.

Neutral allocation refers to the allocation among stock funds, bond funds, and alternative funds that a WealthBuilder Fund targets before making any tactical allocation changes. The revised investment approach places greater emphasis on balancing risk exposures and to explicitly account for inflation risk. As such, the investment strategy changes include specific target allocations and ranges for inflation sensitive funds.

The proposed changes to each Fund's neutral allocation targets and ranges are detailed in the table below:

Current fund name (New fund name as of 10/30/2020)	Current neutral allocation targets	Current range	New neutral allocation targets	New range
<b>WealthBuilder Conservative Allocation Fund</b> (Spectrum Income Allocation Fund)	Stocks: 20%	10% to 30%	Stocks: 10%	0% to 20%
	Bonds: 75%	65% to 85%	Bonds: 77%	65% to 85%
	Inflation sensitive exposures: n/a	n/a	Inflation sensitive exposures: 10%	0% to 20%
	Alternatives: 5%	5% to 20%	Alternatives: 3%	0% to 15%
<b>WealthBuilder Moderate Balanced Fund</b> (Spectrum Conservative Growth Fund)	Stocks: 40%	30% to 50%	Stocks: 28%	20% to 40%
	Bonds: 55%	45% to 65%	Bonds: 54%	40% to 60%
	Inflation sensitive exposures: n/a	n/a	Inflation sensitive exposures: 14%	5% to 25%
	Alternatives: 5%	5% to 20%	Alternatives: 4%	0% to 15%
<b>WealthBuilder Growth Balanced Fund</b> (Spectrum Moderate Growth Fund)	Stocks: 60%	50% to 70%	Stocks: 45%	35% to 55%
	Bonds: 35%	25% to 45%	Bonds: 37%	25% to 45%
	Inflation sensitive exposures: n/a	n/a	Inflation sensitive exposures: 14%	5% to 25%
	Alternatives: 5%	5% to 20%	Alternatives: 4%	0% to 15%
<b>WealthBuilder Growth Allocation Fund<sup>1</sup></b> (Spectrum Growth Fund)	Stocks: 80%	70% to 90%	Stocks: 58%	50% to 70%
	Bonds: 15%	5% to 25%	Bonds: 26%	15% to 35%
	Inflation sensitive exposures: n/a	n/a	Inflation sensitive exposures: 15%	5% to 25%
	Alternatives: 5%	5% to 20%	Alternatives: 3%	0% to 15%

1. New neutral allocation totals add up to over 100% due to rounding.

**What is the VMO and why is the MAS team increasing the range?**

The Volatility Management Overlay (VMO) seeks to keep a portfolio’s short-term volatility in-line with its strategic long-term target by decreasing the portfolio’s effective equity exposure when projected equity market volatility is higher than average, and by increasing the portfolio’s effective equity exposure when projected equity market volatility is lower than average. VMO range serves as a valuable risk mitigating tool for the Funds, and increasing its range will allow the Funds’ portfolio managers to better mitigate exposure to projected equity market volatility. No other changes are being made to the Funds’ other overlay strategies.

**Will the expenses be reduced for the Funds in the suite?**

With the implementation of the strategy changes, the portfolio management team expects to make changes to each Fund’s allocations to underlying funds. The planned strategy changes are expected to reduce the Funds’ acquired fund fees and expenses (AFFE) over time. AFFE are derived from the fees charged by the Funds’ underlying investments.

**Will these changes have tax consequences for clients?**

These changes may create capital gains for clients currently investing in the Funds through taxable accounts. We recommend that clients consult their tax advisors about how this may affect them.

## PRODUCT ALERT

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Balanced funds may invest in stocks and bonds. Stock values fluctuate in response to the activities of individual companies and general market and economic conditions. Bond values fluctuate in response to the financial condition of individual issuers, general market and economic conditions, and changes in interest rates. Changes in market conditions and government policies may lead to periods of heightened volatility in the bond market and reduced liquidity for certain bonds held by the fund. In general, when interest rates rise, bond values fall and investors may lose principal value. Interest rate changes and their impact on the fund and its share price can be sudden and unpredictable. The fund will indirectly be exposed to all of the risks of an investment in the underlying funds and will indirectly bear expenses of the underlying funds. The use of derivatives may reduce returns and/or increase volatility. Certain investment strategies tend to increase the total risk of an investment (relative to the broader market). This fund is exposed to alternative investment risk, foreign investment risk, high-yield securities risk, mortgage- and asset-backed securities risk, and smaller-company investment risk. Consult the fund's prospectus for additional information on these and other risks.

*Carefully consider a fund's investment objectives, risks, charges, and expenses before investing. For a current prospectus and, if available, a summary prospectus, containing this and other information, visit [wfam.com](http://wfam.com). Read it carefully before investing.*

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