

ITEM 1: COVER

**Equity Optimization Group**  
**Fixed Income Strategies Team**  
**Option Strategies Group**  
**Social Impact Investing**

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This Brochure provides information about the qualifications and business practices of Equity Optimization Group (“EO”), Fixed Income Strategies Team (“FIST”), Option Strategies Group (“OSG”), and Social Impact Investing (“SII”), each a unit within Wells Fargo Investment Institute, Inc. (“WFII”). If you have any questions about the contents of this Brochure, please contact us at the number above.

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Investment adviser registration does not imply a certain level of skill or training.

WFII is registered with the SEC as an investment adviser. Registration as an investment adviser does not imply any level of skill or training. Additional information about WFII is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and <https://www.wellsfargo.com/investment-institute/>.

The advisory services described in this brochure are not insured or otherwise protected by the U.S. Government, the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other government agency, and involve risk, including the possible loss of principal.

## **Item 2 Material Changes**

This updated Form ADV Part 2A contains the following material changes since our last annual update on March 30, 2022:

Items 1, 4, 5, 7, 8, 10 and 17 have been updated to include additional information relating to WFII's business practices, conflicts of interest and related risks.

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## Item 4 Advisory Business

### A. Firm Description

WFII is a wholly-owned subsidiary of Wells Fargo Bank, N.A. (“WFB” or the “Bank”) that was formed in 1995 and registered with the SEC as an investment adviser in 2005. WFII is a bank affiliate of Wells Fargo & Company (“WFC”), a publicly held company (NYSE: WFC).

WFII is organized into separate operating divisions or units doing business under different names. This brochure relates solely to the advisory services WFII provides through its:

- **Equity Optimization Group (“EO”)**
- **Fixed Income Strategies Team (“FIST”)**
  - **Option Strategies Group (“OSG”)**
- **Social Impact Investing Team (“SII”)**

The EO, FIST, OSG, and SII units are referred to, collectively, as “*Managed Solutions*.” Managed Solutions is a division within WFII. The terms “*Client*,” “*you*,” and “*your*” are used throughout this document to refer to the person(s) or organization(s) who utilize EO, FIST, OSG or SII for the services described here (at your choice or at the choice of your investment professional). “*WFII*,” “*Managed Solutions*,” “*EO*,” “*FIST*,” “*OSG*,” “*SII*,” “*we*,” “*our*,” and “*us*” refer to WFII and, when required by the context, its Affiliates. “*Affiliate*” means any entity that is controlled by, controls or is under common control with WFII.

### B. Description of Advisory Services

Each Managed Solutions unit specializes in, and limits its investment advice to, particular types of investments. Depending on a Client’s selections, the Client’s assets may be invested in all or a combination of equity securities (including REITS), fixed income securities, listed equity options, mutual funds, money market funds, exchange-traded funds (collectively, “*Funds*”) and other securities and investment products.

**EO** specializes in managing portfolios of individual equity securities that follow the risk and return characteristics of a target benchmark or strategy and in implementing multi-tax-year transitions to a target portfolio to achieve tax management objectives. EO also manages values-aligned strategies that utilize the SII curated universe.

**FIST** specializes in managing portfolios of fixed income securities that are customized based on the income and liquidity needs, risk tolerance, tax status and time horizon of a Client, managing to the appropriate duration. FIST also develops actionable guidance (e.g., ratings on municipal individual fixed income securities), which is used to construct its portfolios and provided as non-discretionary advice to other Affiliates to utilize in developing advice for their own clients. FIST also manages SII values-aligned fixed income

strategies. The taxable values-aligned SII fixed income strategies utilize the SII curated universe. The tax-advantaged values-aligned SII fixed income strategies employ various issuer restrictions to align with investor values and preferences.

**OSG** specializes in managing equity options portfolio overlay strategies, including hedging strategies (protective puts, collars, portfolio hedging); income enhancement strategies (covered calls, bear call spreads); and tactical strategies (long calls, short puts, bull put spreads).

**SII** specializes in managing portfolios of U.S. large cap equity securities or publicly traded U.S. real estate investment trusts (“REITS”) that seek to offer attractive investment returns relative to market benchmarks. The team integrates Environmental, Social and Governance (“ESG”) risk analysis into the investment decision-making process. Various security and sector exclusions and restrictions are also applied for client alignment.

The Managed Solutions strategies are offered solely on a discretionary basis to Clients investing through Wells Fargo Advisor’s Customized Portfolios program or a WFB Account. Certain of the Managed Solutions strategies are provided to Wells Fargo Advisors (“WFA”) on a non-discretionary basis for WFA to utilize (or not utilize) in providing WFA’s discretionary management services through the WFA Personalized UMA program while certain other Managed Solutions strategies are managed on a discretionary basis by WFII through the WFA Personalized UMA program.

When we offer advice on a discretionary basis, the Client relies on us to formulate and, in most cases, to implement the investment decisions consistent with parameters and information that the Client provides in advance (and subject to any agreed upon limitations on our ability to change investment strategies or execute particular transactions without separate approval). When we offer advice on a non-discretionary basis, we deliver the recommendations in the form of a model portfolio that another adviser utilizes to provide discretionary advice to their clients.

When WFII does not have discretionary investment authority over an Account, WFII does not consider WFA’s client to be a “Client” of WFII. Rather WFA is the Client of WFII for these purposes. This is the case with respect to Managed Solutions strategies that WFII provides to WFA on a non-discretionary basis, in the form of a model, for WFA to utilize (or not utilize) in managing certain Personalized UMA accounts. This is also the case with respect to actionable research and guidance on fixed income securities that FIST provides, on a non-discretionary basis, to WFB and its investment professionals to utilize (or not utilize) for their own clients.

Other divisions within WFII offer non-discretionary investment management services that include providing securities ranking information, capital market assumptions, strategic asset allocations, and model portfolios. WFII refers to these divisions, which are covered in a separate brochure, as the Global Manager Research (“GMR”) division, the Global Investment Strategy (“GIS”) division, the Global Portfolio Management (“GPM”) division, and the Global Securities Research (“GSR”). Their non-discretionary services are used by the Managed Solutions units and other investment advisers, including Affiliates, in developing their own investment advice.

WFII may utilize the services of its other Affiliates, in its discretion and subject to legal requirements, for investment, administrative and other support in providing its services to Clients.

### **C. Availability of Customized Services to Individual Clients**

Managed Solutions will tailor its investment management services to the individual needs of its Clients, including by incorporating Client-specific restrictions on investing in certain securities or types of securities. However, Managed Solutions will not be able to accommodate investment restrictions that WFII determines to be unreasonable or unduly burdensome, including any requested restrictions on underlying securities held in a Fund or REIT in which the Client invests. WFII reserves the right to decline to accept, or terminate its advisory services to, Accounts with such restrictions. WFII reserves the right to decline to accept, or terminate its advisory services to, Accounts with such restrictions.

Managed Solutions will implement any reasonable restrictions it accepts in a manner it determines in its sole discretion from time to time. Generally, the units in Managed Solutions allocate the assets that would have been invested in the restricted securities to cash, pro-rata across the strategy, or in substitute securities which may include ETFs. WFII reserves the right to modify its practices regarding Client-imposed restrictions at any time without notice. Client-imposed reasonable investment restrictions may adversely affect the investment performance and diversification of the securities in an Account.

The actionable research provided by FIST on fixed income securities to Affiliates is only provided on an impersonal basis, meaning that the actionable research is **not** tailored to the individual needs or investment objectives of the Affiliates that may utilize the information in developing advice for their clients.

### **D. Wrap Fee Programs**

EO, FIST, OSG, and SII currently provide their investment advisory services to:

- wrap accounts in the Customized Portfolios wrap fee program and/or the Personalized UMA wrap program sponsored by Wells Fargo Advisors (“WFA”), a dually registered broker-dealer and investment adviser; and
- fiduciary accounts of WFB in connection with investment management and trust services offered by WFB to personal trusts, individuals and institutions.

The principal difference between how EO, FIST, OSG, and SII manage wrap accounts and fiduciary accounts (collectively, “Accounts”) pertains to how our recommendations are implemented. Managed Solutions places all orders (or, in the case of non-discretionary advice, recommendations) to purchase or sell an asset for an Account to WFA for wrap accounts and to WFB for fiduciary accounts, with one exception. In the case of strategies offered by FIST for WFA Customized Portfolios, Managed Solutions places position specific orders with WFA and characteristic based order requests with WFB. For additional information, refer to *Item 12: Brokerage Practices*.

Another difference is that not all investment strategies, styles and objectives are available to all Clients or in all Accounts. Information pertaining to WFA's wrap fee programs can be found in a separate brochure, which is available on the SEC's website at [adviserinfo.sec.gov/IAPD](http://adviserinfo.sec.gov/IAPD). The applicable disclosure documents and client agreements governing your Account (collectively, the "Client Agreement") are also available from your investment professional at WFA (referred to by WFA as a financial advisor) or at WFB (referred to by WFB as a portfolio manager). For additional information on Client Agreements, refer to *Item 16: Investment Discretion*.

In both types of Accounts, we receive a portion of the fees you pay WFA or WFB in connection with your Account. You do not pay us a separate fee.

## **E. Assets Under Management**

As of December 31, 2022, WFII managed \$38,123,578,794 in regulatory assets under management on a discretionary basis and \$0 in regulatory assets under management on a non-discretionary basis.

# **Item 5 Fees And Compensation**

## **A. Advisory Fees and Compensation**

We are compensated for our advisory services by WFA or WFB, out of the fees and expenses you pay WFA or WFB in connection with your Account. As noted above, you do not pay a separate fee directly to WFII.

Throughout this brochure, the term compensation refers to not just payments, but also the ability to avoid costs and to receive free (or discounted) services or goods. You should consider the opportunity and other costs to you, as well as all the economic benefits to us and our Affiliates, when evaluating whether to accept a recommendation and the reasonableness of our compensation.

### *Our Compensation:*

Our compensation from WFB for services offered by EO, FIST, and SII is a monthly fee based upon costs incurred by WFII to provide these services, plus an additional amount equal to 10% of such costs (similar to a mark-up). Costs incurred by WFII to provide these services include personnel expenses, market data expenses and corporate support services.

Our compensation from WFA for services offered by FIST, SII and OSG consists of a quarterly fee, based on the value of the cash and investments we manage for each WFA Account in the Customized Portfolios or Personalized UMA wrap programs. The fee paid by WFA to WFII ranges from 5 bps (0.05%) to 28 bps (0.28%), depending on the Client's choice of strategy offered by FIST, SII, or OSG.

When we are compensated with an asset-based fee, we have an incentive to increase the asset value on which our fee is calculated. When we are compensated by a markup on certain costs we incur in managing your Account, we have an incentive to increase those costs. Our incentive to maximize compensation presents a conflict with your interests in receiving disinterested advice and in minimizing any costs that would, directly or indirectly, reduce your investment returns.

The compensation paid to WFII is subject to negotiation and renegotiation between WFII and WFA or WFB at any time, without prior notice to Clients. As a result, the formula for our compensation (and, therefore, our incentives) may change, and the rate may increase beyond the range provided, without your advance knowledge.

#### *Your Account Fees:*

The compensation you pay to WFA or WFB for the services that WFII provides to your Account is governed by your Client Agreement with WFA or WFB, including any provisions that require advance notice to, or consent from, you prior to increasing fees and expenses associated with your Account. Your Client Agreement specifies how WFA or WFB calculates the fees and expenses you pay to WFA or WFB in connection with your Account (your “*Account Fees*”). Your Client Agreement will also specify if, when and how WFA charges you different Account Fees depending on your choice of strategy offered by EO, FIST, OSG, or SII.

*Valuation:* In most cases, your Account Fee is calculated on the net market value of the Client’s Account including cash unless WFA or WFB and the Client agree to base the fee on the Account’s gross value (e.g., the value of the Account including any assets purchased on margin and/or with the proceeds of a short sale, as well as any unrealized gain (or loss) in the value of the short position). For certain OSG strategies, your Account Fees may be calculated based on a target notional value. The target notional value is the agreed upon value of broad-based equity market index exposure that the underlying option contracts in the portfolio should represent. The target notional value does not change over time unless a new value is agreed upon in writing. The actual value of the index exposure in your Account can be significantly higher or lower than the target notional value.

The value of your Account (be it net market value, gross value, target notional value, or some other value) is determined by WFA or WFB in accordance with the terms of your Client Agreement. That value may differ from the value shown on your Account statement, your online access to your Wells Fargo account or the value used to measure your Account’s performance or used to calculate the compensation that WFA or WFB pays to WFII.

When your Account Fees are based on the value of your Account, WFA and WFB have an incentive to increase the value and the valuation of those assets. Depending on the terms of your Client Agreement and the services you select, WFA and/or WFB can do this:

- by valuing assets in the Managed Solutions strategies based on prices and/or estimates obtained from sources (including Affiliates), or using methodologies, that can result in higher valuations for some securities than the amount a client would receive if the securities were sold from the Client’s Account;



- by encouraging a Client to increase the value of your Account (by investing more) or the target notional value for certain OSG strategies; and
- by encouraging a Client to avoid withdrawing money from this account (by instead taking a non-purpose loan or liquidating other accounts to meet your liquidity needs).

*Negotiation:* In general, fees are negotiable depending on a number of factors. Such factors include, but are not limited to:

- market value of a Client's assets;
- number and size of a Client's related accounts maintained at WFA, WFB and/or Affiliates; and
- for WFA Clients, the range and extent of services provided or to be provided to a Client and the investment professional at WFA assisting the Client.

Other pricing arrangements, typically involving multiple accounts, products or services, may also be available to Clients. While Clients entering into such arrangements may pay higher fees for any particular component being offered, the pricing arrangement as a whole will generally result either in the same or lower fees in the aggregate for all the accounts, products or services provided or for the inclusion of additional products and services. The fees for certain services described in this brochure may be reduced for employees of Affiliates, or such employees and Affiliates (or any Client) may be subject to prior fee schedules.

*Comparisons:* Your Account Fees may be more or less than the fees and charges you would pay if you paid separately for investment advice, brokerage or other services, or if you participated in comparable programs of other sponsors or other advisory programs that Affiliates offer. Your Account Fees may be higher or lower than the Account Fees of Clients invested in the same strategy, in an identical Account, under similar circumstances.

## **B. Payment of Fees**

Because WFII is compensated by WFA or WFB and not the Client, WFII does not deduct its compensation from your Account or invoice Clients directly. Instead, WFA or WFB remit to us a portion of the Account Fees they charge to you. Account Fees are deducted from an Account, or billed to a Client, on the terms and at a frequency agreed between WFA or WFB and the Client. You should review your Client Agreement, or contact your investment professional at WFA or WFB, to determine if you have the option to have Account Fees billed to you separately, rather than deducted from your Account.

## **C. Other Fees and Expenses**

The types of fees and expenses you pay, directly or indirectly, in connection with our advisory services are governed by the terms of your Client Agreement. The fees and expenses vary depending on a number of factors, including without limitation whether you invest through WFA or WFB and the investments and strategy selected for your Account.

*For WFB's fiduciary accounts*, the most common types of fees and expenses are: bank trustee and investment management fees (which may be asset-based); brokerage commissions and transaction charges associated with buying and selling investments; fees you pay to WFB to hold your assets; and other additional fees on ancillary goods and services (e.g., managed or non-managed specialty assets, tax services and/or any extraordinary services).

*For WFA's wrap accounts*, the most common types of fees and expenses are: the asset-based wrap fee which covers the cost of custody and advisory services and execution of transactions through WFA; other brokerage commissions and costs of executing transactions through broker-dealers other than WFA; any applicable platform fees; and other transactional fees on ancillary goods and services (e.g., interest on margin balances or securities-based loans, and wire fees).

*Investment Costs:* Different investments have different direct and indirect costs to buy, sell, and hold. These costs are explained in your Client Agreement or product-specific materials that you should review before investing.

- *Brokerage Costs:* Brokerage commissions and transaction charges associated with buying and selling investments vary among the strategies offered by EO, FIST, OSG, or SII and by Account type. For additional information, refer to *Item 12: Brokerage Practices*.
  - *For WFB fiduciary accounts*, you pay brokerage commissions on trades placed through WFB that average 2.5 cents per share (\$0.025) for SII, EO and FIST strategies; and \$0.50 per contract for OSG strategies.
  - *For WFA wrap accounts*, you do not pay brokerage commissions to WFA on transactions executed through WFA. However, if your trades are executed through broker-dealers other than WFA, you pay any brokerage commissions and other charges associated with the transaction. In the case of strategies offered by FIST for WFA Customized Portfolios, position specific orders are executed by WFA and while characteristic based order requests are executed by WFB. Clients invested in these strategies will not pay brokerage commissions to WFA or WFB.
  - *For both WFA and WFB Accounts*, you also pay certain dealer markups or markdowns, odd lot differentials, transfer taxes, exchange fees, execution fees (foreign and/or domestic) when applicable, ADR custodial pass through fees, foreign financial transaction taxes when applicable, and any other fees required by law. These differ for listed equity options, fixed income securities, publicly traded REITs, U.S. and foreign listed equities, ETFs, etc. In general, fixed income transactions incur additional costs such as a markup/markdown or spread that are included in the net price and are not reflected as a separate charge on trade confirmations or Account statements.
- *REITs and Funds:* Any portion of your Account that invests in REITs or Funds will also bear a proportionate share of fees paid at the REIT or Fund level for managing, advising, administering, accounting or sub-accounting, distributing, sponsoring, promoting, licensing indices to, or otherwise servicing shareholders of the REIT or Fund. Depending on the Fund and share class, you also could be charged fees on a share purchase (a

commission or load) or redemption (a contingent deferred sales charges or short-term trading fees). In certain instances, certain Affiliates will receive fees or other compensation for these services, directly from the Fund or indirectly from companies that share their Fund-related revenue with an Affiliate. Unless otherwise provided in your Client Agreement or required by law, your Account Fees will not be reduced by the second level of fees that our Affiliates might otherwise accept. This creates an incentive for Managed Solutions to favor Funds that generate this additional compensation over other Funds when selecting, retaining and allocating assets to Funds in strategies offered by SII, EO and FIST.

- *Cash-Sweep Options:* Cash balances held in an Account, including any strategic balances allocated to cash, are invested in a money market mutual fund or bank deposit sweep accounts offered by WFA or WFB, as applicable. Our Affiliates have an incentive to make available cash sweep options that generate additional revenue or benefits for them or other Affiliates, rather than other cash sweep options that might pay higher returns to clients. For example, assets invested in bank deposit accounts at Affiliates generate compensation (“float”) from the use of uninvested funds, which accrues on payments made from an account (e.g., distributions and expense payments) and other funds received too late to be invested on that day. In their capacity as sponsoring broker-dealer or bank to your Account, WFA can influence or determine how much revenue they accept and WFB determines the interest they pay on cash balances, which directly reduces the rate of return you receive on your cash sweep option. In some cases, our Affiliates earn more revenue on your Account’s allocation to cash than to other investments. When our Affiliates earn more revenue on cash balances than other investments, this creates an incentive for Managed Solutions to allocate a larger percentage of your Account to cash than to other assets that have had historically higher returns and/or higher expenses to Clients. The rate of return you earn on cash sweep balances in an Account is generally lower than yields on cash alternatives, such as money market funds that are available to you for investment outside of your selected sweep option. Your net-of-fee returns on cash balances are likely to be negative during low interest rate environments, assuming your Client Agreement provides that you pay Account Fees on cash balances.

Higher expenses, lower returns or an overly conservative allocation all have the effect of reducing your investment performance.

#### **D. Prepayment of Fees**

*For WFA:* In general, Account Fees are payable in advance. You should review your Client Agreement, or contact your investment professional at WFA for more information.

*For WFB:* In general, unless otherwise specified in your Client Agreement, Account Fees are payable in arrears.

## **E. Compensation for Sale of Securities, Conflicts of Interest**

WFII does not accept compensation for the sale of securities or other investment products it recommends to Clients, including asset-based sales charges or service fees from the sale of mutual funds. WFII also does not allow its officers, directors, employees, or other persons providing investment advice on its behalf to accept such compensation.

Certain Affiliates, however, do accept such compensation for the sale of securities or other investment products in connection with our recommendations for your Account in the circumstances set forth in your Client Agreement. This presents a conflict of interest by giving our Affiliates (and, indirectly, your investment professional) an incentive to favor certain investments over other investment products, Funds, Fund families, and share classes that generate less or no additional compensation to our Affiliates.

Account Fees will not be reduced by the compensation to Affiliates for the sale of securities or other investment products in connection with our recommendations for your Account, unless otherwise provided in your Client Agreement or required by applicable law. When evaluating the reasonableness of your Account Fees and whether to accept our investment recommendations, you should take into consideration such additional revenue to Affiliates as part of our collective compensation.

### **Item 6 Performance-Based Fees And Side-By-Side Management**

WFII manages multiple accounts with different investment objectives, guidelines and policies, and with different fee structures. Currently, neither WFII nor its employees receive compensation based on a share of capital gains on, or capital appreciation of, the assets of a client (referred to as “performance-based fees”). However, WFII may enter into performance-based fee arrangements in the future. Such performance-based fee arrangements would be subject to individualized negotiation with each such client and structured so as to comply with Rule 205-3 under the Advisers Act.

A performance-based fee incentivizes WFII to favor accounts that pay an advisory fee based on performance, over Clients that do not, when disseminating our recommendations (e.g., ideas that are time sensitive or limited opportunities). Similarly, portfolio managers could have an incentive to favor accounts that charge performance-based fees, over other accounts (including Clients) that do not, if a portfolio manager can increase his or her compensation by making recommendations or decisions that generate more advisory fee revenue for WFII (or bonuses for the employee).

We address this conflict by disclosing to you that Clients can experience material differences in performance as a result of differences in the content and timing with which our investment recommendations are delivered to Clients and other accounts. In addition, the compensation of our portfolio managers and team members is designed to avoid creating an incentive to favor certain account over others. Investment personnel in Managed Solutions cannot increase their compensation by making investment recommendations or decisions that generate more revenue for us or our affiliates.

## **Item 7 Types Of Clients**

### *Client Types:*

EO, FIST, OSG, and SII generally provide their discretionary investment advisory services to Clients who are individuals, trusts, estates, charitable organizations, pensions and profit sharing plans, and corporations. WFII provides these strategies pursuant to a separate agreement with WFB for fiduciary accounts and pursuant to its advisory agreement with WFA for wrap accounts. Managed Solutions also provide non-discretionary advisory services to a Client that is dually registered as a broker-dealer and investment adviser (i.e., WFA). Not all strategies offered by EO, FIST, OSG, and SII are available to all types of Clients or in all Accounts.

Other divisions of WFII provide their advisory services solely to institutional clients, such as affiliated and unaffiliated investment advisers, affiliated banking or thrift institutions and affiliated broker-dealers,. These advisory services are not intended for personal, family or household use and not made available to individuals.

### *Eligibility for Accounts:*

You should review your Client Agreement, or contact your investment professional at WFA or WFB, to determine the requirements for opening, maintaining and terminating an Account.

To invest in a strategy offered by EO, FIST, OSG, and SII, you must maintain a wrap account in the Customized Portfolios or Personalized UMA wrap programs sponsored by WFA, or you must maintain a fiduciary account in an investment management, trust or similar relationship with WFB.

The minimum initial investment for an Account can vary among the strategies offered by EO, FIST, OSG, and SII, and is subject to any higher minimums imposed by WFA or WFB from time to time, so please refer to your Client Agreement or consult your investment professional for current information. Depending on your Client Agreement, you may incur additional fees, pay a higher fee rate or become ineligible for certain services if your Account or allocation to a particular Managed Solutions strategy falls below certain thresholds.

Clients are able to terminate an Account, or their allocation to a strategy offered by EO, FIST, OSG, and SII in their Account, on the terms established in the Client Agreement or other relevant documentation. Upon termination of the Managed Solutions strategy for your Account, WFII will have no responsibility for the investment of assets in that Account.

## **Item 8 Methods Of Analysis, Investment Strategies And Risk Of Loss**

### **A. Methods of Analysis and Investment Strategies**

The strategies offered by EO, FIST, OSG, and SII draw upon a number of investment techniques and methods of analysis, including fundamental analysis.

## **1. EO – The Equity Optimization Group**

EO uses fundamental, quantitative, and, for EO's SII strategies, ESG data to provide tax-sensitive management of portfolios of individual equity securities. EO strategies generally seek to track, as a primary objective, the risk and return characteristics of an index or other baseline active strategy while employing, as a secondary consideration, tax sensitive management techniques including tax-loss harvesting. One popular EO strategy seeks to achieve a multi-tax-year transition to the approved target while simultaneously providing tax management features.

Depending on the circumstances, your investment professional at WFA or WFB recommends, selects, or gives you the option to select the appropriate EO strategy for your individual equity portfolio. When managing strategies in WFB Client Accounts, EO generally starts with the existing equity portfolio in the Client's Account and then tailors its portfolio management to implement the selected EO strategy to the Client's needs such as tax sensitivity, client-driven customization, transition management, and risk management. Please refer to the applicable WFA ADV Part 2A disclosure document for more information about how EO strategies are implemented in WFA Client Accounts. EO portfolio managers use sophisticated optimization tools to formulate their portfolio characteristics to purchase and sell U.S. listed equity securities, including ETFs. They seek to effectively balance competing demands—the quality of the current holdings, gaps and opportunities in economic risk factors, any client individual investment constraints, and the tax consequences of making trades—while seeking to track, as a primary objective, the risk and return characteristics of the selected index or other baseline active strategy.

Portfolio risk is managed through regular review of quantitative metrics such as portfolio tracking error relative to benchmarks, and through the EO team's overall assessment of the risk/reward profile of each security.

If EO provides multi-tax-year transition and/or tax loss harvesting services, EO may work with the Client and/or the Client's investment professional at WFA or WFB to develop a tax "budget" for the Account(s) managed by EO. EO then periodically reviews those Account(s) to determine if there are unrealized losses and/or opportunities to improve tracking error.

Clients who invest in EO strategies through a WFA wrap program should review the applicable WFA ADV Part 2A disclosure document for more information about how the strategies will be implemented in their account.

## **2. FIST - The Fixed Income Strategy Team**

In managing the FIST strategies, the unit focuses on active total return bond management utilizing principal protection, income generation, and above-market performance. FIST uses a top-down and bottom-up approach to selecting fixed income securities. We evaluate the macroeconomic, interest rate and yield curve environment in conjunction with internal sector, credit and security analysis.

FIST leverages both proprietary and third-party research to determine the credit worthiness of fixed income securities. Additionally, the research team consistently monitors credit quality to ensure they maintain minimum credit standards.

FIST offers customization to tailor portfolios to meet client's unique needs. FIST also manages SII values-aligned fixed income strategies. The taxable values-aligned SII fixed income strategies utilize the SII curated universe. The tax-advantaged strategies leverage an SII framework.

Non-customized FIST strategies are aligned with WFII's overall investment strategy guidance by measuring certain portfolio risk factors. FIST team members are involved in the creation of the overall tactical strategy guidance developed by WFII's GIS division. FIST has a stringent risk management process delivered through a transparent portfolio. Policies and procedures align with our technology to ensure strict adherence within our portfolio management practices. Credit risk is accounted for and consistently monitored in the investment management process.

In addition to managing the FIST strategies, FIST provides non-discretionary advice, in the form of actionable guidance or investment research, to Affiliates to use in advising their own clients. The actionable guidance or research provided to Affiliates is also used by FIST in developing and updating portfolios for Clients investing in FIST strategies. Please refer to *Item 11.C* for more information.

### **3. OSG - Option Services Group**

OSG formulates its recommendations to purchase and sell ("write") options by using proprietary quantitative analytics and continuous risk monitoring. Recommendations are bespoke to the needs of each Client seeking risk reduction, enhanced income, or hedging and intended as an "overlay" responsive to the portfolio holdings of an Account. Pre-trade portfolio analysis sets the framework for implementation through an in-depth portfolio review. OSG also monitors macroeconomic conditions and security-specific trends that may have an impact on Client portfolios in order to anticipate these impacts in trading activity.

OSG uses a variety of tools to monitor aggregated views of equity and option exposures across all OSG strategies. Data is analyzed across risk return characteristics including current option positioning, option characteristics (delta, volatility and time to expiration), profit/loss on existing positions, liquidity, and available risk budgeting or collateral. OSG also uses underlying equity characteristics (such as earnings releases and technical analysis indicators) to monitor positions.

Clients who invest in OSG strategies through a WFA wrap program should review the applicable WFA ADV Part 2A disclosure document for more information about how the strategies will be implemented in their account

### **4. SII - Social Impact Investing**

SII uses fundamental and quantitative analysis to develop strategies that seek to offer attractive investment returns while also aligning with specific environmental protection, social responsibility and corporate governance ("ESG") goals and values of Clients.

Each of the strategies offered by SII have three attributes: (A) *Alignment via Exclusions*; (B) *ESG Integration in Fundamental Analysis*; and (C): *Engagement with Management*. The attributes correspond to three distinct processes in the development and management of each SII strategy.

A. *Alignment via Exclusions:* SII creates an “opportunity set” of companies or REITs (which are publicly traded companies in the business of developing, owning and leasing real estate) that are more consistent with the values of an SII strategy than the broader universe of investments in that SII strategy’s benchmark.

- The broader universe is the securities or REITs within the benchmark for a specific SII strategy.
- To cull the broader universe into the opportunity set, SII develops and applies “*exclusions*.” Some exclusions are specific to an SII strategy. Other exclusions are used with all SII strategies.
- Unless otherwise specified for a particular SII strategy, all strategies exclude purchases of companies that report receiving revenue, or are determined through our independent research to receive revenue, from tobacco, controversial weapons (e.g., cluster bombs), cannabis or small arms manufacturing and also exclude companies that report *significant revenue* from the production of coal, alcohol, gambling, adult entertainment, and other weapons manufacturing. SII typically considers revenue to be significant if representing more than 1% to 5% of a company’s revenue in the year preceding the purchase of the company into a strategy’s portfolio. The revenue exposure of all companies in the opportunity set for each SII strategy is reviewed periodically, using publicly available information, which can be unverified.

B. *ESG Integration in Fundamental Analysis:* SII selects from among the “opportunity set” a portfolio of investments that, collectively, has both strong ESG performance as well as the potential for attractive returns.

- SII defines “strong ESG performance” as the performance of a company or REIT on certain ESG factors that can materially impact financial returns. To determine what ESG issues are financially material to the performance of a company or REIT, SII draws upon frameworks developed by the Sustainability Accounting Standards Board (“SASB”) and the third-party data provider, Sustainalytics. SII also considers the standardized metrics provided by these frameworks on how to compare peer investments on ESG issues material to that industry.
- SII evaluates the “attractiveness of returns” using fundamental and quantitative methods of analysis considering traditional measures of the value of a company or REIT. SII will, from time to time, select or retain a company or REIT that scores below average on some aspects of ESG performance (relative to the total universe) if outweighed by the potential to contribute positively to the risk/reward profile of the larger portfolio, provided the SII strategy as a whole has strong ESG performance.
- SII’s process for evaluating the investment merits of a given company or REIT uses both ESG performance information and other measures of value and potential for future return in a qualitative manner that is individual to each company or REIT being analyzed. This means that SII does not have a rigid ranking methodology for determining which particular measures of value, including a company’s ESG performance, outweigh other factors in SII’s analysis. Rather, SII considers how all of the various factors being evaluated fit together to provide a wholistic assessment of a company’s or REIT’s attractiveness as an investment for Client Accounts.
- Some metrics for strong ESG performance are applicable to all SII strategies, such as corporate governance, climate risk and human capital. For example, all SII strategies seek to include



companies or REITs with better than average performance on key ESG metrics relative to the broader universe or benchmark. Key ESG factors used in this assessment include environmental issues such as climate change adaptation and mitigation, workplace diversity and corporate ethics, and the strength of the management team and board of directors. Sources used to monitor and evaluate different strategies include, but are not limited to, the SII team's proprietary research, as well as ESG databases maintained by the third-party data providers, Sustainalytics and the Glass-Lewis.

*C. Engagement with Management:* SII strategically engages with the management of selected companies within the portfolio to encourage them to pursue best practices on ESG issues.

- When selecting engagement priorities, SII focuses on ESG issues that are believed to be financially material to the performance of that company or REIT. SII focuses on the issues identified in the United Nations Sustainable Development Goals ("UN SDG") as having greater potential to move the world towards a sustainable and inclusive path to economic development.
- SII prioritizes fewer, higher quality engagements, to facilitate more successful dialogue with the management of a portfolio company. SII does not provide recommendations or take action to vote proxies, or participate in class actions, on behalf of Clients for assets in SII strategies. However, SII provides WFB with guidance, in a non-voting advisory capacity, on ESG related proxy voting considerations, which guidance WFB may (or may not) consider when exercising proxy voting authority for WFB Accounts. Refer to *Item 17* for more information on applicable proxy voting practices.

#### *Strategies offered by SII*

SII currently offers several equity (including REIT) strategies focused on different values-aligned goals. In addition, EO and FIST offer strategies that incorporate SII's investment strategies.

### **5. General Information**

A variety of sources of information are used to facilitate such analysis. For strategies that invest in individual equity securities and fixed income securities, the Managed Solutions units utilize research reports and guidance developed by GSR and/or third parties. For strategies that invest in mutual funds and/or ETFs, the Managed Solutions units utilize the ratings of such Funds developed by the GMR division within WFII. GMR uses both quantitative and qualitative analysis to provide its investment ratings regarding third-party and affiliated investment managers and certain of their investment products. GMR analysts interact with investment managers on a frequent basis. These interactions generally include receiving portfolio updates on existing products through direct calls with investment personnel, general updates as firm representatives and/or team members pass through the local office locations of GMR team members, or general update calls sponsored by the firm and/or investment team. This is in addition to the data collected on each firm or investment product, both from the investment manager directly and from external sources.

EO utilizes replication, where your Account is periodically rebalanced to replicate the strategy selected by Client (subject to the Client's reasonable restrictions), and/or optimization, where the recommendations are designed to overlay the existing portfolio holdings or strategy of an Account and implement Client-imposed investment guidelines (and any restrictions).

All investing in securities involves risk of loss that Clients should be prepared to bear. The strategies offered by EO, FIST, OSG, and SII are not insured or otherwise protected by the U.S. Government, the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other government agency, and involve risk, including the possible loss of principal.

## **B. Risks of Particular Strategies, Methods of Analysis and Securities**

The advisory services described in this brochure utilize a wide range of securities and investments and draw upon multiple methods of analysis and investment techniques. General investment risks include, but are not limited to, the following:

- *Management Risk* – Investment decisions might produce losses or cause your Account to underperform relative to a relevant benchmark or peer group. Our decisions or recommendations with respect to a strategy also may cause underperformance of your Account(s) relative to either the client's expectations or similar Accounts, and there is no guarantee that the selected strategy or our recommendations will produce the desired results.
- *Market Risk* – Security prices in a market, sector or industry may fall, reducing the value of your Account(s).
- *Equity Risk* – Stock prices, including publicly traded REITs, may fall over short or extended periods of time.
- *Interest Rate Risk* – The value of fixed-income securities may be affected by any increase or decrease in prevailing interest rates. In general, if interest rates rise, bond prices fall, and if interest rates fall, bond prices rise.
- *Credit Risk* – Changes in the financial condition of an issuer or guarantor of a fixed-income security or a counterparty to a contractual obligation and changes in general economic conditions may impact the actual or perceived willingness or ability of an issuer, guarantor or counterparty to make timely payments of interest or principal or to otherwise honor its obligations. This risk is greater for lower-rated fixed income securities (e.g., below investment grade bonds).
- *Options Risk* – Options are a form of derivative security, the value of which can fluctuate at a greater magnitude relative to the cost of the security due to embedded leverage. Because buying an option on a security might cost less than buying the security itself, the fluctuation in value could be much more significant relative to the cost of the investment. Depending on the strategy implemented, covered calls can limit the upside potential of the securities held in your Account. In certain instances, an option will be assigned and you will be required to sell securities, thus creating realized gains/losses. The purchaser of an

option runs the risk of losing the entire value of the purchased option as options become valueless upon expiration if they are not exercised or sold prior to expiration. The writer of an option can limit, but not eliminate, the risk of loss in an Account by purchasing options (a spread trade) to buy the same underlying index or equity.

- *Style Risk* – A strategy may follow a particular investment style that may fall out of favor in the market. The predictive powers of different methods of analysis also vary greatly. Models and rules are often modified and updated as new patterns and behaviors develop. Technical analysis (relative to fundamental analysis) and qualitative analysis (relative to quantitative analysis) may be more dependent on subjective judgment.
- *Social Impact Investing Risk* – The performance of the strategies that include the evaluation of a company's performance related to identified ESG goals in the investment process may be lower than other strategies that do not include a company's performance and ESG goals in the investment evaluation process. SII seeks to identify companies that it believes can offer attractive investment returns while also aligning with their specific ESG goal of its Clients, but may not be successful in achieving both. Successful application of the ESG performance analysis will depend on SII's ability to identify and analyze a company's ESG performance data and information, and there can be no assurance that the strategy or techniques employed will be successful or that available information is adequate or accurate. Further, investors may differ in their views of what constitutes positive or negative ESG outcomes. As a result, an SII strategy may invest in companies that do not reflect the beliefs and values of a particular investor. SII does not take action to vote proxies, or participate in class actions, for assets in SII strategies. Refer to *Item 17* for more information on applicable proxy voting practices.
- *Inflation Risk* – Returns on fixed-income securities may not keep pace with inflation.
- *Foreign Securities Risk* – Foreign securities are subject to special risks, including without limitation limited liquidity, delays in settlement, less publicly available information about companies, the impact of political, social or diplomatic events, possible seizure, expropriation or nationalization of a company or its assets, and possible imposition of currency exchange controls. Foreign markets may be extremely volatile.
- *Transaction Cost Risks* – Strategies that seek to generate returns from the trading of financial instruments, rather than from buying and holding investments, tend to have higher brokerage and other transaction costs and taxes which can reduce investment performance.
- *Tax Risk* – The effectiveness of EO's multi-tax-year transition service, or tax loss harvesting service, at reducing your overall tax liability will depend on your entire tax and investment profile. Purchases and dispositions of assets (by the Client or the Client's spouse) outside of the Accounts managed by EO can affect whether a loss is successfully harvested, or tracking error improved, by EO's sale of a security in an Account. EO will monitor only the Client's Account(s) managed by EO (not by other Managed Solutions units or Affiliates). EO is not responsible for monitoring or preventing transactions by the

Client or the Client's spouse in other taxable or non-taxable accounts that can result in a "wash sale" under IRS rules if those accounts buy any security sold at a loss for a period of at least 30 days before or after EO sells those same securities for your Account. When EO reinvests the proceeds of a sale in a substantially similar (but not identical) security, the substantially similar security may fail to perform like the replaced security and/or the sale may be ineffective in reducing the Client's tax liability or tracking error.

- *Regulatory Risk* – The overall investment activities of the WFII and our Affiliates may limit the investment opportunities for a Client's Account(s) in certain markets in which limitations are imposed by regulators upon the amount of investment by affiliated investors, in the aggregate or in individual issuers. From time-to-time, an Account's activities also may be restricted because of regulatory restrictions applicable to the WFII, WFA, WFB or their Affiliates, and/or their internal policies. For example, we may be restricted from trading in an issuer's securities if an Affiliate has material, non-public information about the issuer.
- *Information Risks* – In providing its advisory services, WFII relies on affiliated and third-party sources for information that it believes to be reliable, but WFII cannot guarantee the quality, accuracy and/or completeness of such information.
- *Business Continuity Risks* – Although WFII implements business continuity planning, there is no guarantee that WFII or its service providers will be able to maintain normal operations and/or will not lose key personnel on a temporary or long-term basis as a result of natural or man-made disasters, pandemics like COVID-19 or other unexpected disruptive events.
- *Cybersecurity Risks* – With the increased use of technologies to conduct business, WFII and its Affiliates (including WFA, WFB and WFC which maintains WFII's technology infrastructure) are susceptible to operational, information security, and related risks. In general, cyber-incidents can result from deliberate attacks or unintentional events and may arise from external or internal sources. Cyber-attacks include unauthorized access to digital systems (such as through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information; corrupting data, equipment, or systems; or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (making network services unavailable to intended users). Cyber-incidents may cause disruptions and affect business operations, potentially resulting in financial losses, impediments to trading, the inability to transact business, destruction to equipment and systems, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Similar adverse consequences could result from cyber-incidents affecting a Fund in which your Account invests, issuers of securities and other interests in which such a Fund may invest, counterparties with which a Fund engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and service providers), and other parties.

- *Privacy Risks* – To extent consistent with applicable law and your Client Agreement, WFII and its affiliates may provide access to Client information to affiliated and third-party service providers throughout the world. Although we maintain protective measures as described in our privacy policies and notices, Client information can be put at risk when accessed by others who use the information for unintended purposes.

## **Item 9 Disciplinary Information**

There are no legal or disciplinary events that are material to a Client's or prospective Client's evaluation of our advisory business or the integrity of our firm's management. Descriptions of other disciplinary actions involving WFII and its management affiliates are reflected in WFII's Form ADV, Part 1A, which is available at <http://www.adviserinfo.sec.gov> on the Investment Adviser Public Disclosure website.

As a wholly-owned subsidiary of WFB, a bank affiliate of WFC, WFII operates in a legal and regulatory environment that exposes it to risks due to WFC's involvement in various legal and regulatory matters, including litigation, arbitrations and investigations. Such cases are subject to many uncertainties, and their outcome is often difficult to predict, including the impact on WFC's operations or financial results, particularly in the early stages of a case. Many, but not necessarily all, of such matters are disclosed in WFC's securities and regulatory filings made under the Securities Act of 1933 and the Securities Exchange Act of 1934, among other laws and regulations, or otherwise may be reported on in the media from time to time. WFC's regulatory filings generally are available from WFC, the SEC or the Financial Industry Regulatory Authority ("FINRA").

## **Item 10 Other Financial Industry Activities And Affiliations**

This section describes relationships or arrangements material to WFII's advisory business that certain of its management persons have with other Affiliates. WFII's management persons are WFB, WFC and other entities and individuals who exercise a controlling influence over WFII's management or policies, or who determine the general investment advice given to Clients and other clients of WFII.

Additional information concerning these direct and indirect affiliates and related persons of WFII, which include various other broker-dealers, investment companies, investment advisers, and banking organizations, is provided in WFII's Form ADV, Part 1A, which is available at <http://www.adviserinfo.sec.gov>.

### **A. Broker-Dealer Registration Status**

WFII is not registered as a broker-dealer. However, certain of WFII's management persons are registered as broker-dealers or, in the case of individuals, as registered representatives of a broker-dealer.

## **B. Material Relationships or Arrangements With Affiliates**

WFII and its management persons have relationships or arrangements with several Affiliates that are, or could be perceived as, material to WFII's advisory business or its Clients. As noted above, WFII is a direct wholly-owned subsidiary of WFB and a bank affiliate of WFC. WFC is a large financial services organization that, directly and through its Affiliates, operates commercial and investment banking, brokerage, securities dealing, financing, wealth management, advisory, asset management, insurance, lending and related products and services on a global basis. These products and services include: (1) securities brokerage, trading and underwriting; (2) investment banking, strategic advisory services (including mergers and acquisitions) and other corporate finance activities; (3) wealth management products and services including financial, retirement and generational planning; asset management and investment advisory and related record-keeping services; (4) origination, brokerage, dealer and related activities in swaps, options, forwards, exchange-traded futures, other derivatives, commodities, and foreign exchange products; (5) securities clearance, settlement financing services and prime brokerage; (6) private equity and other principal investing activities; (7) proprietary trading of securities, derivatives and loans; (8) banking, trust and lending services, including deposit-taking, consumer and commercial lending, including mortgage loans, and related services; (9) insurance and annuities sales; and (10) providing research including global equity strategy and economics, global fixed-income and equity-linked research, global fundamental equity research, and global wealth management strategy.

### ***Conflicts of Interest***

The activities and dealings of WFII and its Affiliates with other clients and third parties affect our Clients in ways that will, from time to time, disadvantage you, while benefitting the Wells Fargo enterprise and/or clients or customers of other Affiliates. The following discussion briefly summarizes some of these conflicts. It should be read together with Item 11's discussion of conflicts associated with an economic interest in client transactions and Item 14's discussion of other economic benefits we receive in connection with our advisory services. These Items are not intended to include an exhaustive list of all such conflicts. You should carefully review your Client Agreement, which may contain further information on conflicts of interest and how WFA or WFB, as applicable, seeks to mitigate them.

- *Competing Loyalties:* Affiliates and individuals at WFII that control its management or policies, or determine the general investment advice given by Managed Solutions, can and do perform other duties for WFII and for Affiliates. Conflicts of interest arise from time to time in connection with these duties with respect to allocating management time, services or functions among us and other Affiliates. In their non-WFII roles, such persons may give investment advice and/or take actions that differs from, or are inconsistent with, the performance of their WFII-related duties. The compensation of these management persons may be based, in part, upon the profitability of other parts of WFII's or an Affiliate's business or the business of an Affiliate. Consequently, in carrying out their roles at WFII and these other entities, the management persons of WFII are subject to the same or similar potential conflicts with the interests of Clients that WFII and these Affiliates experience.

- *Preference for Affiliated Strategies:* WFC receives a reputational benefit from having assets managed according to the WFII strategies, and in WFA, will receive additional revenue as a result of your investment in a Managed Solutions strategy rather than a strategy offered by an unaffiliated adviser. As a result, WFA has an incentive to include, and your investment professional (as an employee of WFA) has an incentive to select or recommend, the strategies offered by Managed Solutions on the menu of options available to Accounts. You should consider that WFA may give preference, in their selection and retention of investment advisers and strategies, to WFII and its Managed Solutions strategies over other investment advisers and investment options, which may have similar investment objectives but superior performance and/or other investment metrics.
- *Competing Investments:* Affiliates engage in investment operations that may be substantially similar to and/or competitive with opportunities in which Clients have invested or which are appropriate for Clients. Unless otherwise provided in your Client Agreement or required by law, Affiliates are under no obligation to share any such research or opportunities with Managed Solutions or Clients. Moreover, Affiliates may invest on behalf of themselves in such opportunities. This may result in financial benefits to Affiliates that are not experienced by Clients. To the extent Managed Solutions and Affiliates have overlapping investments or similar investment strategies, Affiliates may give advice or take action for their own accounts (which may be advised by WFII) that differ from, potentially conflict with or be adverse to advice given or action taken by WFII for any other Clients. Our Affiliates' activities have the ability to affect market prices in a manner that could have an adverse effect on Client holdings, particularly when such Affiliates manage substantial amounts of assets, creating the potential for large trades.
- *Differentiated Product Offerings:* Your investment professional at WFA or WFB may suggest or recommend that you use an Affiliate's services. These services can include lending, execution, custody, trustee, fiduciary, or other services for your investment activity (e.g., taking a margin or a non-purpose loan secured by your Account) or for other purposes (e.g., a home mortgage). As described in *Item 5: Fees and Compensation*, the balances in your Account will be invested in a cash sweep option that may be serviced or sponsored by our Affiliates. Where a Client uses or purchases our Affiliates' services or products, our Affiliates will receive and retain fees and compensation which are in addition to your Account Fees, unless otherwise provided in your Client Agreement or required by law.
- *Restrictions from Other Activities:* Owing to the investment banking or other business activities of its Affiliates, WFII's ability to transact in securities issued by companies involved in certain corporate restructuring transactions (e.g., mergers and acquisitions) may be limited by law or regulation (domestic and/or foreign). For example, our Affiliates can acquire confidential or material non-public information that prevents us or our Affiliates, for a period of time, from purchasing, selling or recommending particular securities for your Account. Similarly, the purchase and/or management of some investments involve credit analysis, based in whole or in part on information that may not be readily available to the public (e.g., material, non-public information), and that can cause

the client to become restricted in trading public securities of that issuer so long as such information remains material and non-public. We and our Affiliates are not permitted to divulge or to act upon this information with respect to our advisory or brokerage activities. As a result, WFII may limit or exclude Clients' investments in a particular issuer, future, derivative, and/or other instrument (or limit the exercise of voting or other rights associated with such investments).

- *Restrictions attributable to Ownership of WFC Securities:* From time to time, a shareholder of WFC may acquire a sufficiently large interest in WFC that the holding triggers statutory or regulatory obligations or restrictions. In such event, WFII's ability to take certain actions or make recommendations within your Account, such as buying or selling securities issued by the shareholder or its affiliates, may be limited. To mitigate the conflicts associated with an adviser recommending clients purchase its shares, WFA and WFB generally seek to prohibit purchases into Accounts of securities issued by WFC. Clients should be aware that, in some cases, these limitations on transacting in WFC Securities and WFC-related Securities could adversely impact the performance of their Accounts.
- *Restrictions attributable to Ownership by WFC and its Affiliates:* Due to regulatory and issuer-specific limits that apply to the ownership of securities of certain issuers, WFII may limit investments in the securities of such issuers. In addition, we may from time-to-time determine that, because of regulatory requirements that may apply to WFII and/or its Affiliates in relation to investments in a particular country or in an issuer operating in a particular regulated industry, it is impractical or undesirable to make investments in the securities of issuers domiciled or listed on trading markets in that country or operating in that regulated industry above certain thresholds. (For example, a position or transaction could require a filing or other regulatory consent, which could, among other things, result in additional costs and/or disclosure obligations for, or impose regulatory restrictions on, WFII or its Affiliates.)
- *Application of Restrictions:* Limits and thresholds may apply at the Account level or in the aggregate across all accounts (or certain subsets of accounts) managed, sponsored, or owned by or otherwise attributable to, WFII and its Affiliates. For investment risk management and other purposes, we may also generally apply internal aggregate limits on the amount of a particular issuer's securities or other investments that may be owned by all such accounts. In addition, to the extent that Accounts already own securities that directly or indirectly contribute to an ownership threshold being exceeded, WFII may sell securities held in such accounts in order to bring account-level and/or aggregate ownership below the relevant threshold. Sales of securities or other instruments resulting from such limitations and/or restrictions may result in realized losses for Accounts in the Managed Solutions strategies, and restrictions on purchases may result in foregone investment opportunities.



## ***Mitigants***

WFII seeks to mitigate the risk from these conflicts through WFC's and WFII's policies, procedures, disclosure, communication protocols, and periodic conflicts training of applicable personnel. These include, among others described in this brochure, the following:

- Information walls are in place which are designed to allow multiple businesses to engage with the same or related clients at the same time, while mitigating any conflicts arising from such a situation. For example, information walls are designed to prevent the unauthorized disclosure of material nonpublic information and allow public side sales, trading and research activities to continue, while other businesses within WFC possess material nonpublic information.
- When necessary to impose limitations on purchases, or require sales, of an investment, WFII will endeavor to treat all clients fairly. WFII, WFA and WFB seek to apply the restriction on a pro-rata basis across all impacted accounts, or in another equitable manner, consistent with fiduciary obligations and subject to regulatory requirements and Client Agreements.
- Your investment professional at WFA or WFB is required to recommend investment advisory programs, investment products and securities and banking services that are appropriate for, and in the best interest of, each client based upon the client's investment objectives, risk tolerance and financial situation and needs and considering cost. Investment professionals at WFB do not receive compensation (the amount of which varies) based on your choice of a Managed Solutions strategy or Account over other options.
- WFA and WFB regularly review the quality of WFII's advisory services to Accounts, and would replace the Managed Solutions strategies should WFA or WFB determine they are no longer performing satisfactorily. However, WFA and WFB evaluate affiliated and unaffiliated sub-advisers differently for a number of reasons because WFA and WFB have more, and continuous, information regarding WFII's personnel and risk and compliance procedures, as well as investment processes.
- Disclosure that the advice we give may be different from the advice our Affiliates give or the timing or nature of action we or they take for your Account. We and our Affiliates act in a variety of capacities to a wide range of clients. We may give advice or take action with regard to certain clients, including Clients, which differs from that given or taken with regard to other clients. This is due to, among other things, the differing nature of the Affiliate's investment service and differing processes and criteria upon which actions are taken.

### **C. Material Conflicts of Interest Relating to Other Investment Advisers**

We are deemed to recommend third-party investment advisers (or their investment products or portfolios) that we use in strategies offered by EO, FIST, SII, or OSG. We and our Affiliates have business relationships with, and receive compensation (directly or indirectly) from, certain of these third-party investment advisers, as described throughout this brochure.

#### ***Conflicts of Interest***

When compensation to our Affiliates varies based on our recommendations of an investment adviser (or their investment products or portfolios), this presents a conflict. WFII has a financial incentive to make the investment recommendation that maximizes profits, rather than give you disinterested advice.

GMR provides their advisory services to the Managed Solutions units on the basis of their affiliation with WFII. Similarly, in constructing the Managed Solutions strategies, the Managed Solutions units limit their consideration to the universe of ETFs and mutual funds that are made available to Accounts (by WFA or WFB, as applicable) and recommended by GMR.

- GMR does not screen and conduct due diligence on all mutual funds and ETFs. GMR may, consciously or unconsciously, give preference, or more opportunities for consideration, to investment managers (or their investment products or portfolios) that offer additional compensation to Affiliates.
- WFA and WFB do not make available all mutual funds and ETFs to EO, FIST, OSG, and SII for use in your Account. WFA may exclude investment options that cost them more (and, therefore, reduce the Account Fees they retain) or give preference to options that generate additional revenue for Affiliates. For example, WFA considers, when selecting a Fund, Fund family or share class to make available in its wrap programs, the payments and compensation that WFA and Affiliates receive from firms associated with an investment manager or Fund, including where WFA effects transactions for, or provides service to, the Fund or its adviser.

EO, FIST, OSG, and SII do not independently investigate other mutual funds and ETFs, which may have similar investment objectives but lower fees and expenses. WFII has a conflict of interest in giving preference to the advisory services of Affiliates and in limiting its consideration to investment options that impose less additional costs on Affiliates or that generate more revenue to Affiliates.

#### ***Mitigants***

In addition to the mitigants described in *Item 10.C* above and throughout this brochure, WFII mitigates its conflict through reviews of the quality and continued value of the advisory services provided by GMR to Managed Solutions.

## **Item 11 Code Of Ethics And Participation In Client Transactions**

### **A. Code of Ethics**

WFII has adopted a code of ethics (the “*Code of Ethics*”) and various other policies and procedures designed to govern the professional activities of its personnel and various aspects of their private conduct, particularly that which could present conflicts of interest between the individuals and WFII and its clients. All WFII personnel must comply with the Code of Ethics, which is designed to detect and prevent violations of securities laws while putting the interests of WFII’s clients before those of WFII personnel. Additionally, WFC maintains a company-wide Code of Ethics and Business Conduct which provides guidelines for the business practices and personal conduct that all associates and board members are expected to adopt and uphold.

WFII’s Code of Ethics imposes personal trading restrictions on all employees, including EO, FIST, OSG, and SII personnel. The restrictions govern their own accounts and trading activity, as well as accounts over which they have control or a beneficial interest. The restrictions, which apply to the purchase and sale of certain securities and options, are designed to prevent situations where a personal transaction by a person related to WFII would be adverse or detrimental to a client of WFII, including Clients. For example, designated WFII personnel must pre-clear certain securities transactions, disclose their investment accounts, and provide or cause WFII to receive annual holdings reports and quarterly transaction reports.

WFII’s Code of Ethics is available upon written request to: Wells Fargo Investment Institute Compliance, 401 S Tryon Street, 2<sup>nd</sup> Floor, MAC D1050-026, Charlotte, NC 28202-1934, or by contacting WFII’s Chief Compliance Officer, Daniel J. Mavico, via email at Daniel.Mavico@wellsfargo.com.

### **B. Recommendations of Securities in which WFC has a Material Financial**

WFII, its Affiliates and their respective employees, including team members and portfolio managers in EO, FIST, OSG, and SII, may recommend to Clients, or buy and sell for Clients, investments in which we or they have a material financial interest. A material financial interest would include an opportunity for our Affiliates to benefit financially from the purchase or sale of an investment, from providing services in connection with an investment, or from increasing the value of an investment to an Affiliate.

### ***Conflicts of Interest***

The existence of a material financial interest in the investments that we or an Affiliate recommend to you presents a conflict of interest. WFC has an incentive for Managed Solutions to favor investment products, and make investment decisions, that generate the greatest financial benefit or compensation to Affiliates when selecting, retaining and allocating assets to investments in the strategies offered by EO, FIST, OSG, and SII. Our Affiliates have similar incentives when providing you recommendations or acting on your behalf. Unless otherwise provided in your Client

Agreement or required by law, your Account Fees will not be reduced by the financial benefit, including any additional compensation, that we or our Affiliates might otherwise receive.

- *Agency-Cross Trades:* There may be instances in which WFA or an affiliated broker-dealer has the opportunity to act as agent for both buyer and seller in a transaction for a WFA Account, in accordance with applicable law and your Client Agreement. This is called an “agency-cross” transaction. WFA or the Affiliate generally will receive compensation from the other party in an agency-cross transaction. This compensation received by WFA or its Affiliate would be in addition to the Account Fees you incur in connection with your Account. The additional compensation presents a conflict between the responsibilities and loyalties to you and to the other party to the transaction that are owed by WFII and its Affiliates, as applicable.
- *Cross Trades:* WFA and WFB have the ability to effect (or, in WFB’s case, permit) cross transactions between Accounts. A cross transaction is where one Client purchases a security held by another advisory client of WFII or WFA or a fiduciary client of WFB. Although cross trades will not result in any additional compensation to a Wells Fargo company, our Affiliates can benefit by effecting the transaction at a price, or on terms, that favors one client over another client, or that favors the client that generates the greatest compensation to Affiliates over other clients, which may include Clients. To mitigate this conflict, any cross transactions in your Account must be effected in accordance with applicable law and your Client Agreement, and only when the transaction is in the best interest of each party. Generally, this means that cross transactions be effected at independently determined market prices.
- *Principal Trading and Market Making:* WFA has the ability to effect principal transactions in your Account, subject to the terms of your Client Agreement and applicable law. In a principal trade, an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys a security from or sells a security to an advisory client. When acting as principal to effect transactions or facilitate non-standard settlement requests, an affiliated broker-dealer has an incentive to effect the transaction at a price that is most favorable to the affiliate rather than you or other clients. You should refer to your Client Agreement to determine the circumstances in which your Account is permitted to engage in principal transactions.
- *Advising or Servicing Investments:* Strategies offered by EO, FIST, OSG, and SII may recommend products that directly or indirectly generate additional compensation to Affiliates for managing, advising, administering, accounting or sub-accounting, distributing, sponsoring, promoting, licensing indices to, or otherwise servicing shareholders or investors in the product. Such products include registered investment companies or other collective Funds, bank deposit products, equity derivatives, REITS and other equity securities, or other investment vehicles to which one or more Affiliates may be an adviser, manager, sponsor, shareholder servicer, promoter or placement agent or may have issued, structured, licensed indices to, or underwritten such vehicle. As noted in *Item 5: Fees and Compensation*, Affiliates will receive fees or other compensation for these

services, directly from the assets of the investment or indirectly from companies that share their revenue from the investment with an Affiliate.

- *Other Business Interests:* Certain of the strategies offered by EO, FIST, OSG, and SII may recommend securities of an issuer in a position to give business to WFII or its Affiliates. WFII has an incentive to favor these investments, which may include:
  - companies that are, in turn, invested in our ultimate parent company, WFC, or that own a significant stake in an Affiliate or a joint venture with an Affiliate;
  - companies that have provided, or could provide, loans or financing to Affiliates;
  - companies who are also advisory clients of WFII or an Affiliate; and
  - companies that engage, for their own account or on behalf of their clients, our Affiliates' banking and lending services, sponsorship of deferred compensation and retirement plans, recordkeeping services, investment banking, securities research, institutional trading and prime brokerage services, custody services, and licensing arrangements involving indices.

### ***Mitigants***

In addition to the mitigants described in *Item 10* and throughout this brochure, there are controls focused on addressing the conflicts presented by the material financial interests that we and Affiliates have in the investments we recommend to you.

- We disclose the nature these financial interests in general terms and urge you to refer to your Client Agreement, or consult your investment professional at WFA or WFB, for more information about these and other conflicts of interest.
- We determine the compensation paid to WFII's investment personnel on the same basis for all assets without regard to the amount of compensation we or our Affiliates receive on different investments in your Account. As a result, WFII's investment personnel do not have a direct financial incentive to favor certain investments over others for a Managed Solutions strategy or to favor certain investment managers (or their investment products) over others.
- Portfolio managers and group members in EO, FIST, OSG, and SII have a fiduciary obligation to select and retain investments in the best interest of each Client, based upon the Client's investment objectives, risk tolerance and financial situation, and needs communicated to WFII by WFA or WFB.
- WFII monitors investment purchases and sales for compliance with investment guidelines, policy statements and other agreed upon restrictions and disclosures, as described in *Item 13: Review of Accounts*. WFII also monitors the quality of execution achieved for Clients on transactions placed through WFA or WFB, as described in *Item 12: Brokerage Practices*.

### **C. Conflicts of Investing in the Same Securities, or at the Same Time, as Clients**

From time to time, WFII recommends or causes a Client to invest in a security (or related securities, e.g., warrants, options or future) in which WFII, its Affiliates or its personnel also invest, for their own account or on behalf of their clients. For example, Affiliates of WFII are permitted to trade for their own account, or the accounts of their clients, on the same non-discretionary advice that WFA, GMR and GIS provide to EO, FIST, OSG, and SII to utilize in their strategies. Similarly, WFA is permitted to trade for the Personalized UMA program (i.e., its clients) utilizing the same (or similar) advice that Managed Solutions provides for a given strategy to its Clients in WFA's Customized Portfolios program and WFB's Accounts. In addition, WFB and its investment personnel are permitted to trade on the same actionable guidance (e.g., ratings on individual fixed income securities) that FIST uses to construct portfolios for Clients investing in FIST strategies. Directors, officers and employees of WFII are permitted to buy, sell or own securities and/or options that are bought, sold or owned by WFII's Clients, subject to the Code of Ethics.

*Scarce Opportunities and Market Impact:* In some cases, the ability to implement and trade on advice *first* gives an advantage to one account over others. Some investments (either directly, or due to the nature of underlying component assets or derivative structures) involve actual or perceived liquidity constraints that could adversely impact pricing determinations, valuation methodologies, transparency and review of asset composition, and/or the actual marketability and sale of the investment. Other investment opportunities are scarce or only actionable for a limited time before the value of the recommendation diminishes. Price movements, particularly in volatile markets or in trades involving less liquid securities, can result in later trades receiving a price that is less favorable than the price received by earlier orders for the same investment.

*Timing:* Differences in the timing with which advisory services are delivered can result in material differences in the performance achieved for Clients. For example, differences in the timing with which EO, FIST, OSG, and SII strategies are delivered to WFA (for the Personalized UMA program) and implemented for WFA's Customized Portfolio program and WFB's fiduciary accounts could result in material differences for WFII's Managed Solutions Clients. Even if WFA and WFB receive the trading instructions or recommendations at the same time, due to the operational differences, manner and size of the advisory programs, one Affiliate could have the ability to implement and trade on these recommendations prior to another Affiliate.

WFII seeks to mitigate the risks that timing of delivery of advisory services could disadvantage certain clients, relative to other clients, by requiring its divisions to disseminate identical content to all clients entitled to receive the content in a manner such that, over time, Clients do not experience material differences in performance without adequate disclosure. Subject to the following exception(s), each Managed Solutions unit:

- Either rotates the order in which it sends its trade instructions (and model updates for non-discretionary recommendations) to WFA and WFB, or sends the trade instructions (and model updates) to WFA and WFB at the same time (e.g., in a single order or contemporaneous transmission), and

- Sends trading instructions for Accounts that have Client-imposed restrictions at the same time as it sends trading instructions for Accounts (and model updates) that do NOT have Client-imposed restrictions.

Currently, OSG is an exception in that trading instructions for OSG strategies generally are sent to WFA and WFB first for Clients that have selected basic options strategies (such as call writing) and second for Accounts that have selected more customized or complex options strategies (such as hedging or tactical strategies) or have Client-imposed restrictions, as described in Item 4.C.

In addition, WFII uses electronic permissions and other virtual information barriers to limit the sharing of information between GMR, GIS and GPM on the one hand and its clients, including Managed Solutions personnel, on the other. WFC has similar systems access controls to prevent the premature dissemination of actionable information from Managed Solutions advisory or non-advisory personnel to certain Clients before others. Nonetheless, performance may differ materially for Accounts investing in Managed Solutions strategies depending on whether investing through WFA's Customized Portfolios program, WFB's fiduciary accounts and/or WFA's Personalized UMAs.

WFII has adopted certain procedures intended to prevent investment professionals and their immediate family from benefiting from any price movements that may be caused by Client transactions or Managed Solutions' recommendations regarding such securities. WFII reviews trading activity in the Managed Solutions' strategies against trade confirmations and brokerage statements from investment personnel to help deter and detect activities such as "front-running," "scalping" and insider trading. In addition, without specific approval, investment professionals are not allowed to purchase securities for their own account or an account in which they have a beneficial interest for a period of time before and after his or her Managed Solutions unit recommends that security or a related security for purchase in an Account.

*Conflicting Rights and Interests:* There will be situations in which EO, FIST, OSG, and SII strategies cause Clients to invest in certain parts or particular issuances or financing of an entity's capital structure at the same time that other clients, or Affiliates and their clients, are investing in or holding positions in different parts of that same entity's (or a related entity's) capital structure. These situations include, for example, investments in instruments that have differing priorities (senior or subordinated loans), have differing levels of risk and yield or return, and/or have differing levels or types of rights and benefits. In such situations, the interests of one group of clients conflicts with those of other clients and/or of Affiliates investing in the same entity. Affiliates, on behalf of themselves or their clients, and WFII on behalf of its Clients, may have tax, economic or business interests or goals that are inconsistent.

When conflicts arise, an Affiliate or WFII at times could pursue or enforce rights on behalf of the Affiliate or its clients in a manner that results in an adverse effect on other clients, including Clients, with a different type of investment in the same or a related entity or transaction.

*Trading Practices:* WFII or its Affiliates may execute transactions for other accounts that may adversely impact the value of securities held by Clients investing in a Managed Solutions strategy. Our Affiliates' activities have the ability to affect market prices, particularly when such Affiliates

manage substantial amounts of assets, creating the potential for large trades. For example, an Affiliate could sell short a security for its own account, or the account of its clients, resulting in downward pressure on the price of the security held “long” in a Managed Solutions strategy. We address the potential for such conflicts through disclosure and, in some cases, through information barriers. Refer to *Item 12: Brokerage Practices* for additional information on how WFII seeks to mitigate these conflicts.

## **Item 12 Brokerage Practices**

### **A. Factors in Recommending Broker-Dealers**

WFII has a duty to seek best execution when the Managed Solutions strategies recommend transactions in Accounts for which WFII has discretion to direct trades.

Subject to the terms of your Client Agreement, all transactions in Accounts will be effected:

- through WFB for fiduciary accounts;
- through WFA for wrap accounts investing in EO, OSG and SII strategies provided on a discretionary basis;
- through WFB for wrap accounts investing in FIST strategies provided on a discretionary basis; and
- In the case of strategies offered by FIST for WFA Customized Portfolios, Managed Solutions sends position specific executions through the WFA Trading Desk, and places characteristic based requests with the WFB trading desk.

When Managed Solutions strategies are provided on a non-discretionary basis (i.e., in some WFA’s Personalized UMA accounts), WFII does not have a duty to seek best execution. Please refer to your Client Agreement, or consult your investment professional at WFA, if you invest in a Personalized UMA account for which WFA, not WFII, has discretion to direct trades.

WFII’s obligation to seek best execution means that WFII must place transactions in such a manner that each Client’s total cost or proceeds in each transaction is the most favorable under the circumstances. However, the determinative factor is not the lowest possible commission cost, but whether the transaction represents the best qualitative execution to the Client.

#### *Factors Evaluated:*

In assessing best execution for its Clients, WFII considers the full range and quality of an executing broker’s services, including, among other things: execution capability; commission rates; financial responsibility; responsiveness to the adviser; size and type of transaction; the nature and character of relevant markets; and the cost of the trade. To evaluate broker-dealers, WFII draws upon the analysis and monitoring of WFA’s Best Execution Committee and WFB’s Broker Oversight Committee, which covers best execution of transactions for WFB Accounts.



### *Reasonableness of Compensation:*

In evaluating the reasonableness of compensation to broker-dealers, WFII anticipates that the cost to Clients often will be most favorable when placing trades through WFA or WFB. If a wrap account were to execute trades through a broker-dealer other than WFA (a practice known as “trading away”), the Client typically will pay additional fees to compensate that broker-dealer for its services (in addition to the Account Fees). If a fiduciary account were to execute trades away from the broker-dealers selected by WFB, the Client would not receive the benefit of WFB’s negotiation of volume discounts on batched orders and execution oversight (e.g., monitoring of counterparty credit exposure) that WFB provides for trades through its selected broker-dealer. WFII recognizes that the brokerage commissions that fiduciary accounts currently pay on each transaction go to compensate the broker-dealers selected by WFB, with no compensation retained by WFB for its services negotiating and monitoring execution through the selected broker-dealers.

In evaluating the reasonableness of the compensation, WFII also considers the direct and indirect compensation that WFA, WFB and other Affiliates receive from transactions in EO, FIST, OSG, and SII strategies. Placing trades through WFA or WFB presents a conflict of interest, as our Affiliate could use its discretion to maximize profits to Wells Fargo companies rather than negotiate more favorable terms. For example, WFA has an incentive to route orders for your Account to Smart Router destinations which make payments for order flow (“PFOF”) to WFA when OSG strategies trade options in WFA Accounts. When our Affiliates receive PFOF based on the volume of options traded for OSG strategies, WFC has an incentive for OSG to increase that PFOF by placing larger and more frequent trades. This incentive to maximize compensation presents a conflict with your interests in receiving disinterested advice and in minimizing any costs that would, directly or indirectly, reduce your investment returns.

### *Trade Errors:*

WFII seeks to effect transactions correctly, promptly and in the best interests of Clients. In the event an error occurs originating from WFII’s handling of Client transactions, WFII seeks to identify and correct any errors as promptly as possible without disadvantaging the Client. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the Client. In the event the error is determined not to have occurred due to WFII’s handling of Client transactions and is determined to have been caused by WFA’s or WFB’s handling of Client transactions (e.g. WFII correctly communicates a trade order to the WFA trading desk; however, an error occurs when the WFA trading desk places the order for execution, which results in an impact to the Client), the trade error policy of WFA or WFB will apply, as applicable. Where such an error occurs, WFII will cooperate in providing information and/or other support to facilitate the implementation of the applicable trade error policy.

### **(1) Research and Other Soft Dollar Benefits**

WFII does not receive research or other products or services purchased with commission dollars from a broker-dealer or a third party in connection with the execution of Clients’ securities transactions (“*soft dollar benefits*”). Similarly, WFA, WFB and other Affiliates do not receive soft dollar benefits purchased with commission dollars generated by Clients’ securities transactions. Affiliates, however, receive broker research provided customarily in the course of transactions conducted with broker-dealers.

## **(2) *Brokerage for Client Referrals and Other Benefits***

WFII does not consider when selecting or recommending broker-dealers, or evaluating their execution quality, whether WFII or Affiliates receive referrals of Clients from the broker-dealer.

## **(3) *Directed Brokerage***

Not all investment advisers require their clients to direct their brokerage to a particular broker-dealer. Requiring Clients to place transactions through WFA or WFB allows our Affiliates to receive considerable benefits and avoid significant costs. This creates an incentive for WFII to evaluate execution quality more favorably for trades placed through WFA or WFB than for trades placed through other firms that do not or would not provide our Affiliates with as much compensation.

When you direct WFII to execute trades through WFA for wrap accounts, or to place trades through WFB for fiduciary accounts, your Account may not receive the most favorable execution, resulting in higher costs and/or lower returns for you. Nonetheless, WFII seeks to effect transactions through WFA and WFB only when consistent with WFII's obligations to seek best execution.

## **B. Trade Aggregation**

WFII will aggregate, when feasible, orders for the purchase or sale of a particular security on behalf of its clients, including Clients, for execution as a single transaction. WFA or WFB, in turn, will aggregate orders for their clients, including Clients, in accordance with their respective aggregation policies and procedures and the terms of your Client Agreement with WFA or WFB. Please refer to your Client Agreement, or consult your investment professional, to determine the conditions under which WFA or WFB will aggregate orders.

Typically, it is feasible for WFII to aggregate (or block) trades when a Managed Solutions team or group initiates an "across-the-board" trade decision for a given investment strategy. For trade decisions that are not across-the-board recommendations (e.g., individual account inception, contribution, liquidation, or tax-loss harvesting), WFII does not generally aggregate orders, and instead places each trade order with WFA or WFB, as applicable, when the trade is ready for execution.

WFII will aggregate transactions only if it believes that aggregation is in the best interests of the affected clients, including Clients. Any benefit of such aggregation generally is allocated pro-rata among the accounts of clients that participated in the aggregated transaction. Nevertheless, there is no assurance that aggregation of transactions will benefit all clients, including Clients equally, and in some instances combined orders could adversely affect the price or volume of a security. Also, it is possible that WFII will not aggregate trades in circumstances where it would have been beneficial to do so.

WFII has an established process for creating a trade rotation among Clients, which determines the order in which trade instructions (or the updated model for non-discretionary advice) are transmitted to WFA or WFB. The trade rotation seeks to allocate trading opportunities such that,

over time, no Clients receive preferential treatment as a result of the timing of the receipt of its trade execution instructions (or, in the case of non-discretionary advice, the model portfolio). As described in *Item II: Code of Ethics*, differences in the timing with which EO, FIST, OSG, and SII strategies are delivered to WFA (for the Personalized UMA program) and implemented for WFA's Customized Portfolio program and WFB's fiduciary accounts could result in material differences for WFIL's Managed Solutions Clients.

## **Item 13 Review Of Accounts**

### **A. Periodic Account Reviews**

#### *Discretionary Accounts:*

As an investment adviser, we have a duty to monitor and refresh the advice we provide to Clients at a frequency we believe to be in the Client's best interest, taking into account the scope of our agreed relationship and disclosed limits on how we monitor different Accounts. As a result, the frequency of monitoring varies among the Accounts and strategies offered by Managed Solutions.

Accounts investing in strategies offered by EO, FIST and OSG are reviewed at least annually by a portfolio manager or other member of the applicable portfolio management team. In addition, these Accounts are subject to an exceptions-based review process that tests for compliance with Client-specific restrictions and, in the case of FIST strategies, for adherence to marketed credit quality and portfolio duration guidelines.

For strategies offered by SII, each Account is assigned a portfolio manager (who is responsible for trading the Account) and reviewed at a frequency determined by an exceptions-based review process that tests for cash balances, taxable gains, performance variation with respect to composites, and tracking error vs. strategy model, as well as applicable Client-specific restrictions.

In connection with Account reviews, Clients generally do not speak directly with members of the Managed Solutions investment team responsible for formulating advice. However, these Managed Solutions personnel may be made available upon specific request. Additional WFA and WFB policies and procedures are in place to review portfolio and Account activity for conformity with Client investment guidelines, best execution and other considerations. A risk management team within WFB helps the portfolio management teams manage Accounts by generating and monitoring risk reports for parameters determined by applicable law and parameters set by senior leadership within WFC.

#### *Non-Discretionary Accounts:*

When Managed Solutions strategies are provided on a non-discretionary basis (i.e., in WFA's Personalized UMA program), the Managed Solutions unit does not review individual Accounts investing in the strategy. Instead, a member of the applicable Managed Solutions unit or group

reviews the model portfolio most recently recommended to WFA for that strategy on a daily basis for continued adherence to the strategy's model portfolio.

**B. Other Monitoring**

Managed Solutions units also will review an Account upon notice from the Client's investment professional (or WFA or WFB) of a material change in the Client's investment objectives or other information upon which the Managed Solutions unit based their advice to the Account. Depending on the terms of your Client Agreement, WFA or WFB generally will contact you annually to request updated information and determine whether there have been any changes in your financial situation, and whether you wish to impose any reasonable restrictions, or reasonably modify existing restrictions, on the management of your Account. WFII and its Managed Solutions units rely solely upon WFA, WFB and their investment professionals to provide timely information to Managed Solutions. We will not review and update our advice to reflect changes in the information upon which we based our advice unless you inform them, and they inform us, of such changes.

**C. Reports to Clients**

The content and frequency of the written reports you receive is governed by your agreement with WFA or WFB, which typically generates those reports. On an ad hoc basis, Managed Solutions will prepare supplemental reports that are shared with applicable investment professionals at WFB and WFA, and also may be shared with the applicable Client. The content of these supplemental reports can include, without limitation, a portfolio overview showing notable holdings and allocations and positioning of the portfolio relative to a benchmark.

**Item 14 Client Referrals And Other Compensation**

**A. Economic Benefits for Providing Services to Clients**

We and our Affiliates have arrangements pursuant to which someone, who is not a Client, provides an economic benefit to us for providing our advice or other advisory services to you and other WFII clients. In addition to the arrangements described throughout the brochure, we and our Affiliates have business relationships with many investment managers, distributors and sponsors, and insurance companies and other product providers ("*Third Party Firms*") available to our Clients that are separate and apart from the advisory services covered in this brochure. For example, we or our Affiliates may effect transactions in the ordinary course of business for a mutual fund (and, if applicable, a portfolio company in which a Fund may hold an interest). Any compensation paid to us or our Affiliates by the Fund manager or sponsor (or any of their affiliates) is additional compensation to us for services we and our Affiliates provide to them. These Third Party Firms may direct their clients' transactions to us. We may also make available to them research, execution, custodial, pricing, and other services offered by us in the normal course of business. We may receive compensation in connection with such transactions and other services.

From time to time, Affiliates enter into distribution agreements with asset managers, fund managers, or Third Party Firms pursuant to which WFA, WFB and other Affiliates distribute certain products and services of the Third Party Firms to our clients, including Clients. Due to these relationships, the management and employees of these Third Party Firms have a broader level of access and exposure to WFA, WFB, WFII, their management, your investment professional at WFA or WFB, and/or EO, FIST, OSG, and SII portfolio managers and team members. In addition, the Third Party Firms have the opportunity for increased exposure at marketing events or in client or other materials, some of which may be provided to you by your investment professional.

It is possible that the presence of these distribution arrangements and relationships will cause us and our Affiliates to forego opportunities to negotiate more favorable financial terms for client investments in these investment products in your Account. It is also possible that WFII's investment personnel will, consciously or unconsciously, favor these investments over others (to which they have less exposure or familiarity). We address the conflicts of interest in the following ways. We disclose the nature of our relationship in general with Third Party Firms. We determine the compensation paid to WFII's investment personnel on the same basis for all Client assets without regard to the amount of compensation we or our Affiliates receive on certain investments over others. As a result, WFII's investment personnel do not have an incentive to recommend certain investments over others because they do not receive additional compensation as a result of arrangements or compensation from Third Party Firms.

#### **B. Direct or Indirect Compensation for Client Referrals**

WFII does not directly compensate any person for Client referrals, and neither do its officers, directors or employees. However, certain of our Affiliates, directly and indirectly, provide compensation for Client referrals to some third parties as well as some personnel who are not subject to WFII's supervision. Referral arrangements give rise to conflicts of interest because the referring party has an incentive to make the referral based on his or her interest in receiving compensation rather than to give you disinterested advice. In addition, when the compensation is based on maintaining or exceeding certain production levels (e.g., asset under management, number of new clients or product sales), the recipient has an incentive to meet those thresholds and production levels. When required by law, each referral arrangement is or will be governed by a written agreement and will be disclosed to Clients.

*Referrals from Third-Party Solicitors:* Affiliates enter into solicitation arrangements with certain third parties ("Solicitors") to refer prospective clients to Affiliates (including WFII, directly or through WFA or WFB). Generally, the fees paid to Solicitors are paid from investment advisory fees received and retained by Affiliates in connection with a client's account (including an Account). The fees may be structured as a flat fee or as a percentage of the client's advisory fee and often continues for the duration of the client relationship. The fees are not charged to the client. However, if your advisory fee is negotiable with the Affiliate or your investment professional, the existence of a referral fee can result in advisory fees that may be higher than they would have been in the absence of the referral arrangement. For example, the Affiliate paying the referral fee has an incentive, consciously or unconsciously, to take the referral fee into consideration in negotiating any discount in the advisory fees. Similarly, if the fee is a percentage of the investment advisory fee ordinarily credited to a client's investment professional, the

investment professional may take that into consideration in negotiating any discount in his or her fees.

*Referrals from Marketing and Consulting Firms:* Affiliates enter into marketing arrangements with third parties who, for compensation, will provide consulting or other services to Affiliates in connection with the marketing of Affiliate's various advisory programs or services (including the Accounts), or otherwise refer prospective clients to Affiliates (including WFII, directly or through WFA or WFB).

*Referrals from Affiliates:* Affiliates refer clients and prospective clients to one another, and these referrals may involve the payment of referral fees between Affiliates. In addition, WFC encourages its subsidiaries to use the products and services offered by Affiliates, when appropriate. During the course of annual business planning, business with our Affiliates is included in establishing sales goals. Business planning and intra-company payments give Affiliates an incentive to refer advisory business and advisory clients to WFII (directly or through WFB or WFA).

*Referrals from your Investment Professional:* Your investment professional at WFA or WFB can participate in incentive programs from time to time, pursuant to which they are compensated for attracting new assets and clients, referring business to Affiliates (such as referrals for trusts) or other investment professionals, and/or promoting investment advisory services. In some cases, the compensation of WFA investment professional is linked to or contingent upon, meeting total production criteria. If credit is given for recommending Accounts, your investment professional at WFA or WFB has a financial incentive to recommend an Account over other investment products and services. Investment professionals who participate in these incentive programs may be rewarded with cash and/or non-cash compensation, such as deferred compensation, bonuses, training symposiums and recognition trips. Portions of these programs may be subsidized by external vendors and/or our Affiliates, such as investment advisers, mutual fund companies or insurance carriers.

*Referrals from other Employees:* Non-investment professionals may also be compensated for referrals by Affiliates. For example, WFA from time to time compensates employees who are not investment professionals for referrals of possible clients to its wrap programs, including the Accounts. The referral compensation takes the form of a payment of a percentage of the fees described in your Client Agreement but results in no additional fees to you or other Clients.

## **Item 15 Custody**

WFII does not maintain physical custody of Client assets. Nonetheless, WFII is deemed to have custody of your Account because its Affiliates have the ability to access the cash and securities in your Account. Clients give this authority to WFA as the sponsor to their wrap account or to WFB as the trustee, custodian or investment manager to their fiduciary account.

Clients should receive quarterly or monthly account statements from WFA or WFB (and/or, to the extent Client assets are not custodied with WFA or WFB, from another broker-dealer, bank or financial services firm that serves as qualified custodian or sub-custodian to your Account). Clients

should carefully review these statements. Clients who do not receive such account statements are encouraged to follow-up directly with their WFA, WFB or the custodian and request such statements.

## **Item 16 Investment Discretion**

Managed Solutions strategies are offered solely on a discretionary basis to Clients investing through WFA's Customized Portfolios or a WFB Account, but on either a discretionary or non-discretionary basis to Accounts investing through WFA's Personalized UMA program.

Clients give WFII discretionary authority by executing a written agreement between the Client and WFB or WFA. As of a recent date, the relevant agreements (which, together with applicable disclosures, constitute your Client Agreement with WFA or WFB) are referred to as:

- *for WFB Accounts*, the **Asset Management Agreement (or other governing document)** and **Fee Schedule**; and
- *for WFA Accounts*, the **WFA Client Agreement** and the **Program Features and Fee Schedule for the Customized Portfolios Program or Personalized UMA Program**.

WFII's discretionary authority is limited to the portion of your Account that is designated by WFA or WFB to WFII for management according to a particular Managed Solutions strategy. WFII's discretionary authority can be limited by the terms of the Client Agreement, any reasonable Client-imposed restrictions that are accepted by WFII, investment guidelines or instructions from WFA or WFB, and/or WFII's obligation to comply with regulatory requirements.

## **Item 17 Voting Client Securities**

### **A. Authority to Vote**

WFII will not accept any proxy voting authority, or authority to exercise discretion on class actions, on behalf of your Account. If you seek to appoint WFII, we will abstain entirely from voting such proxies and handling any class actions for assets in your Account. WFII will not be obligated to render any advice or take any action with respect to information related to securities, or the issuer of such securities, held in your Account. WFII will, upon request, advise WFA and WFB on corporate actions and/or proposals that do not require a proxy (e.g., tender offers, repurchase offers, or corporate reorganizations).

Not exercising the rights and privileges associated with assets in your Account can negatively impact your returns. It can also reduce WFII's effectiveness at achieving the investment objectives of certain strategies. For example, SII is limited in their ability to influence the outcome of a vote for the board of directors of a company, or a socially responsible company initiative, if your proxy is not exercised. Inaction can reduce the effectiveness of investment strategies that take into

consideration the strength and values of an issuer's management when selecting and retaining securities in your Account.

**B. No Authority to Vote**

Although WFII will abstain from acting in all instances, you can ensure that proxies and corporate and class actions are considered and, if appropriate, exercised for your Account by appointing yourself, or someone to act on your behalf *other than WFII*. Your Client Agreement or investment professional at WFA or WFB can advise you on whether (and, if so, how) you can: (1) receive proxies and other solicitations from WFA, WFB or a custodian directly, and/or (2) contact someone with questions about a particular solicitation.

Depending on your Client Agreement, you may have already appointed WFA, WFB or a third-party agent ("*Proxy Vendor*") to consider on your behalf and, if appropriate, exercise (1) proxies, (2) corporate actions that do not require a proxy vote, and/or (3) class actions. To determine the circumstances in which WFA, WFB or a Proxy Vendor will, and will not, act on your behalf, refer to your Client Agreement with WFA or WFB, or contact your investment professional at WFA or WFB.

SII may provide WFB with guidance, in a non-voting advisory capacity, on ESG related proxy voting considerations, which guidance WFB may (or may not) consider when exercising proxy voting authority for WFB Accounts. These SII team members and SII do not control or have authority to direct the proxy voting associated with any Accounts held at WFB, including those invested pursuant to SII strategies, and WFB may choose not to implement guidance provided by the SII team members. SII does not have any involvement in the voting of proxies for Accounts held at WFA.

**Item 18 Financial Information**

WFII does not require or solicit prepayment of fees in advance, has no financial condition that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.