

NewsRelease

Wells Fargo Asset Management®

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WELLS FARGO ASSET MANAGEMENT LAUNCHES NEW SUITE OF ACTIVELY-MANAGED TARGET DATE FUNDS

SAN FRANCISCO—Financial advisors typically recommend that investors aim to replace 80% of their pre-retirement income for use in their retirement years. Yet, the average target date glide path may fail to consistently meet this goal, according to research conducted by Wells Fargo Asset Management.*

To address this critical challenge, the company has introduced the Wells Fargo Dynamic Target Date Funds, an investment that offers a new approach designed to give plan participants what we believe is the best chance of meeting the 80% goal.

“Until now, target date fund managers have faced a conundrum,” says Ron Cohen, head of defined contribution distribution for Wells Fargo Funds Management, LLC. “In the years leading up to retirement, a glide path arguably needs to be aggressive enough to meet the participant’s investment goals, yet also be conservative enough to hedge against market losses, particularly close to retirement. But it’s difficult for a standard glide path to be both aggressive and conservative at the same time. Wells Fargo Asset Management has developed a new approach that is intended to address this challenge.”

In addition to creating a broadly diversified portfolio with enough equity exposure to help participants achieve their target goal, Portfolio Managers Christian Chan, CFA, and Kandarp Acharya, CFA, FRM, employ a set of institutional-caliber risk management techniques that include tactical asset allocation and a patent-pending dynamic risk management approach.

Says Mr. Chan, “Asset allocation is an effective diversification tool over the long-term, but an imprecise and blunt instrument in the short term. We use three active risk management techniques to help manage the portfolios during times of volatility while also allowing us to opportunistically pursue compelling investment opportunities.”

These techniques are:

- A proprietary tactical asset allocation model that allows the managers to pursue market opportunities and create the potential to generate additional excess returns in a risk-conscious manner
- A set of volatility management tools that help moderate the impact of short-term market gyrations, particularly within the equity exposure
- A tail risk management overlay strategy that strives to improve participant outcomes by managing excessive volatility and the risk of large, unpredictable downside events

“Because plan participants reach retirement during different market conditions,” adds Mr. Chan, “it’s key to have the tools to moderate short-term volatility and limit the impact of sudden, unexpected market losses. Our process allows us to do just that.”

The Wells Fargo Dynamic Target Date Funds are available in five share classes: A, C, R, R4, and R6. Funds are offered in five-year increments from 2015 through 2060, as well as a Dynamic Target Today Fund. The series’ glide path continues to reduce risk for 10 years after the target date before reaching its landing point.

For more information on the Wells Fargo Dynamic Target Date Funds, go to wellsfargoadvantagefunds.com or call **800-368-1790**.

*In our analysis of the target date fund universe, we simulated the retirement savings experience of the *average* individual investor using 5,000 unique investment return scenarios. We based investor savings behavior (during their assumed working years) and asset allocation on a combination of industry statistics and assumptions, including but not limited to:

- Forty working years from age 25 to 65
- A variable salary growth rate greater in early working years and slightly negative as retirement approaches
- Increasing savings rates consistent with industry data
- Social Security contribution to income replacement at 75% of the value dictated by the Social Security Administration’s quick calculator
- Approximation for the industry average target date fund glide path (sourced from a 2014 Morningstar target date report)

We then recorded the participant’s results for each glide path pertaining to his/her:

- Average ending wealth (at age 65) observed over those 5,000 simulations
- The average instance of shortfall
- The average shortfall per occurrence

(An occurrence of shortfall is defined as the inability at retirement to purchase an inflation-adjusted annuity for the remainder of one’s life—assumed to be 20 years—and have the combination of the annuity payment plus the presumed Social Security payment replace 80% of one’s maximum preretirement income annually to age 85.) The shortfall is the difference between 80% of one’s maximum preretirement annual income and the aforementioned annuity payment plus annual Social Security payment. Our results showed that the average glide path failed to consistently replace 80% of a participant’s preretirement income in retirement.

The target date represents the year in which investors may likely begin withdrawing assets. The funds gradually seek to reduce market risk as the target date approaches and after it arrives by decreasing equity exposure and increasing fixed-income exposure. The principal value is not guaranteed at any time, including at the target date.

Stock values fluctuate in response to the activities of individual companies and general market and economic conditions. Bond values fluctuate in response to the financial condition of individual issuers, general market and economic conditions, and changes in interest rates. Changes in market conditions and government policies may lead to periods of heightened volatility in the bond market and reduced liquidity for certain bonds held by the fund. In general, when interest rates rise, bond values fall and investors may lose principal value. Interest-rate changes and their impact on the fund and its share price can be sudden and unpredictable. The use of derivatives may reduce returns and/or increase volatility. Securities issued by U.S. government agencies or government-sponsored entities may not be guaranteed by the U.S. Treasury. Certain investment strategies tend to increase the total risk of an investment (relative to the broader market). This fund is exposed to foreign investment risk, mortgage- and asset-backed securities risk, smaller-company investment risk, and allocation methodology risk (risk that the allocation methodology of the Dow Jones Target Date Index, whose total returns the fund seeks to approximate, before fees and expenses, will not meet an investor's goals). Consult the fund's prospectus for additional information on these and other risks.

Wells Fargo Asset Management (WFAM) is a trade name used by the asset management businesses of Wells Fargo & Company. Wells Fargo Funds Management, LLC, a wholly owned subsidiary of Wells Fargo & Company, provides investment advisory and administrative services for Wells Fargo Funds. Other affiliates of Wells Fargo & Company provide subadvisory and other services for the funds. The funds are distributed by **Wells Fargo Funds Distributor, LLC**, Member FINRA, an affiliate of Wells Fargo & Company.

Carefully consider a fund's investment objectives, risks, charges, and expenses before investing. For a current prospectus and, if available, a summary prospectus, containing this and other information, visit wellsfargoadvantagefunds.com. Read it carefully before investing.

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