Product Alert

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Wells Fargo Diversified Income Builder Fund team and strategy expanded

The Wells Fargo Diversified Income Builder Fund is one of the longest-operating funds among Wells Fargo's multi-asset-class investing strategies. For 30 years, the fund, with its predecessor, has pursued long-term total return for clients seeking income. In response to increased demand among clients for investing solutions that are designed to deliver consistent income with lower volatility of returns, the portfolio management team and the fund's principal investment strategies are being expanded while its net operating expense ratio caps are being reduced. An expanded portfolio management team, access to additional asset classes, and lower expenses are intended to provide more consistent income with less volatility at a fair price to benefit existing and new shareholders of the fund.

The following structural and strategic changes are planned for the fund effective January 2, 2018.

Significant increase in portfolio management resources: Margaret D. Patel has managed the fund since 2007 as a member of Wells Fargo Asset Management's (WFAM's) Fundamental Equity group. In September, Ms. Patel joined WFAM's Multi-Asset Solutions (MAS) team. This structural change integrates Ms. Patel with the team of 16 MAS investment professionals, who provide investment expertise and insights across multiple asset classes, particularly assets that are intended to diversify income sources and address strategies to manage volatility. Ms. Patel will continue to manage the equity and fixed-income portfolio sleeves, as she has for 10 years.

Ms. Patel will be joined in managing the portfolio by Kandarp Acharya, CFA, FRM, who manages several multi-asset funds with a focus on income generation as well as risk and volatility management. As co-managers of the fund, Ms. Patel and Mr. Acharya will have responsibility for the fund's allocation across various asset classes.

Expanded flexibility within the fund's principal investment strategies: The fund's principal investment strategies will be expanded to provide the managers access to a broader range of exposures with the goal of supporting more consistent income generation; higher, more stable yields; and repeatable returns through changing market environments. The specific changes are:

- An increase in the fund's maximum equity allocation
- A broader range of income-producing securities across both equity and fixed income

Reduced net operating expense ratio caps: The fund's net operating expense ratio caps have been reduced for all share classes. Reducing fees allows shareholders to keep more of the potential returns generated by their investment.

For further details, please see the following Q&A.

How does integration with the MAS team benefit the Diversified Income Builder Fund?

Integrating the fund within the MAS team and adding Mr. Acharya as co-portfolio manager will benefit the fund's clients by broadening and deepening the expertise, experience, and resources dedicated to security selection, asset allocation, and risk and volatility management. The MAS team focuses on investor outcomes as the team seeks to increase, protect, and generate income from wealth. The team manages a variety of investment strategies, including traditional balanced, target date, tactical allocation, and inflation-sensitive strategies, and applies forward-thinking portfolio construction and risk management processes across asset classes.

How will Ms. Patel and Mr. Acharya work together in managing the fund?

Both Ms. Patel and Mr. Acharya bring extensive experience and broad expertise in investment security selection, asset allocation, and risk management in their oversight of the fund. As co-portfolio managers, they will provide macro allocation direction for the portfolio using both the MAS team's extensive macro research capabilities and the market-specific insights of the MAS team's asset-class specialist teams, some of which Ms. Patel and Mr. Acharya also may access to manage dedicated sleeves within the portfolio. In addition to her asset allocation responsibilities, Ms. Patel will continue to manage fixed-income and equity investments.

What is Margaret Patel's professional background?

Ms. Patel has more than 30 years of experience as an equity and fixed-income portfolio manager, research analyst, and trader. She joined Wells Capital Management Incorporated in 2007 and was named portfolio manager of the Wells Fargo Diversified Income Builder Fund and the Wells Fargo Diversified Capital Builder Fund. She also manages the Wells Fargo High Yield Bond Fund. For her extensive investment knowledge and expertise, Ms. Patel is quoted regularly in publications such as *The Wall Street Journal*, *Barron's*, *Money*, and *Bloomberg Businessweek* and is often a guest on CNBC-TV, Bloomberg Business News, FOX Business television, and Bloomberg Radio.

What is Kandarp Acharya's professional background?

Mr. Acharya has more than 20 years of experience developing and managing asset allocation strategies. He is a senior portfolio manager on WFAM's MAS team. He develops, implements, and manages multi-asset investment solutions for WFAM's institutional clients. He joined WFAM in 2013 from Wells Fargo's Wealth Management Group (WMG), where he was the director of the Advanced Analytics and Quantitative Research Group and served on the Manager Selection Committee since 2008. At WMG, he directed the development of RiskOptics, a patent-pending multi-asset risk model, as well as the development and implementation of quantitative tactical allocation models as a member of the Asset Allocation Committee. Earlier in his career, Mr. Acharya served in various capacities at Strong Capital Management, including overlay portfolio management, risk management, and fixed-income research. He began his career in the investment industry in 1994. He earned a bachelor's degree in electronics engineering from the Maharaja Sayajirao University in India, a master's degree in electrical and computer engineering from Marquette University, and a master's degree in business administration from the University of Chicago. Mr. Acharya has earned the right to use the Chartered Financial Analyst® (CFA®) and Financial Risk Manager (FRM) designations.

Why were the fund's principal investment strategies expanded?

The team believes the fund and its shareholders will benefit from changes to the fund's principal investment strategies, which seek to optimize the risk, return, and yield characteristics within a targeted risk-budget framework through dedicated, enhanced asset-class diversification. The team's philosophy is to incorporate additional flexibility in an investing approach that seeks to improve a fund's diversification and income-generating characteristics as market conditions change. The enhancements of the fund's principal investment strategy support the managers as they select securities and allocate assets across a broadly diversified universe of income-producing equity and fixed-income asset classes.

How were the fund's principal investment strategies expanded?

The fund's target allocation is adjusted to 60% to 90% in debt securities and 10% to 40% in equity securities. Formerly, the target allocation was 70% to 90% in debt securities and 10% to 30% in equity securities. Amendments to the fund's principal investment strategies also allow regular investment in a wider array of asset and subasset classes and in income-producing securities, such as master limited partnerships, real estate investment trusts, and preferred securities; yield-oriented fixed-income investments, including securitized bonds, bank loans, corporate and municipal credits of high-yield and investment-grade quality, and government debt; and equity and interest-rate futures and swaps.

Do the amendments to the fund's principal investment strategies mean a change to its benchmark index?

Yes. Effective with the enhancements of the fund's principal investment strategy, the fund's blended benchmark will become 35% Russell 1000® Index/65% BofA Merrill Lynch High Yield U.S. Corporates, Cash Pay Index from its current 25% Russell 1000 Index/75% BofA Merrill Lynch High Yield U.S. Corporates, Cash Pay Index.

Will these changes to the fund's investments have potential tax consequences for investors?

Changes to the fund's investments may create capital gains for clients currently investing in the funds through taxable accounts. We recommend that clients consult their tax advisors about how this may affect them.

What are the fund's current net operating expense ratios and caps?

Class	A (94985D343 EKSAX)	C (94985D327 EKSCX)	Admin (94975P660 EKSDX)	Inst (94985D319 EKSYX)
Current[1] gross operating expense ratios	1.08%	1.83%	1.00%	0.75%
Current[1] net operating expense ratios[2]	1.08%	1.83%	0.90%	0.71%

1. *Current prospectus date: February 1, 2017*
2. *The advisor has contractually committed, through January 31, 2018, to waive fees and/or reimburse expenses to the extent necessary to cap the fund's total annual fund operating expenses after fee waiver at 1.08% for Class A, 1.83% for Class C, 0.90% for Administrator Class, and 0.71% for the Institutional Class.*

What are the fund's new net operating expense ratio caps and why were they changed?

Effective January 2, 2018, the fund's net operating expense ratio caps will be reduced. The fund's new net operating expense ratio cap will be 0.85% for Class A, 1.60% for Class C, 0.77% for Administrator Class, and 0.52% for the Institutional Class.

Reducing the fund's net operating expense ratio caps allows shareholders to keep more of the returns generated by their investments.

Are there other changes relevant to the fund that are being announced at this time?

Effective January 2, 2018, dividends will be declared monthly, changing from its current daily declaration. Dividends will continue to be distributed monthly.

The advisor has contractually committed, through 1-31-18, to waive fees and/or reimburse expenses to the extent necessary to cap the fund's total annual fund operating expenses after fee waiver at 1.08% for Class A, 1.83% for Class C, 0.90% for Administrator Class and 0.71% for the Institutional Class. As of 1-2-18 the fund's new net operating expense ratio cap will be 0.85% for Class A, 1.60% for Class C, 0.77% for Administrator Class and 0.52% for the Institutional Class. Brokerage commissions, stamp duty fees, interest, taxes, acquired money market fund fees and expenses (if any), and extraordinary expenses are excluded from the cap. After this time, the cap may be increased or terminated only with the approval of the Board of Trustees. Without this cap, the fund's returns would have been lower. The expense ratio paid by an investor is the net expense ratio or the total annual fund operating expense after fee waivers, as stated in the prospectus.

The Russell 1000® Index measures the performance of the 1,000 largest companies in the Russell 3000® Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index. You cannot invest directly in an index.

The BofA Merrill Lynch High Yield U.S. Corporates, Cash Pay Index is an unmanaged index that generally tracks the performance of U.S. dollar–denominated corporate bonds publicly issued in the U.S. domestic market. You cannot invest directly in an index.

Balanced funds may invest in stocks and bonds. Stock values fluctuate in response to the activities of individual companies and general market and economic conditions. Bond values fluctuate in response to the financial condition of individual issuers, general market and economic conditions, and changes in interest rates. Changes in market conditions and government policies may lead to periods of heightened volatility in the bond market and reduced liquidity for certain bonds held by the fund. In general, when interest rates rise, bond values fall and investors may lose principal value. Interest-rate changes and their impact on the fund and its share price can be sudden and unpredictable. 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, high-yield securities risk, and smaller-company securities risk. Consult the fund's prospectus for additional information on these and other risks.