

# Wells Fargo Stable Value Fund



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Effective December 31, 2017

## Wells Fargo Stable Value Fund

This Disclosure summarizes information about the Wells Fargo Stable Value Fund that prospective investors should know before investing. Investors should read and retain this Disclosure for future reference.

### Table of Contents

Key Information .....	1
Who May Invest .....	1
Fund Investments .....	2
Investment Strategy .....	3
Risk Factors .....	5
Fees and Expenses.....	10
Valuation Of Units.....	10
Purchases and Redemptions of Units.....	11
Withdrawal Limitation.....	11
Regulatory Oversight.....	12

*Investments in the Fund are NOT bank deposits, are NOT guaranteed by Wells Fargo, are NOT insured by the Federal Deposit Insurance Corporation ("FDIC") or any other agency of the U.S. Government, and are subject to investment risks, including loss of principal.*

*The interests offered hereby are exempt from registration under the federal securities laws and accordingly this Disclosure does not contain information which would otherwise be included if registration were required.*

### Key Information

The Wells Fargo Stable Value Fund (referred to as the "Fund") is a separately managed account managed by Galliard Capital Management, Inc. ("Galliard"), a wholly owned subsidiary of Wells Fargo Asset

Management Holdings, LLC ("Wells Fargo") and a registered investment advisor and fiduciary under ERISA Section 3(38).

**Investment Objective.** The Fund seeks to maintain safety of principal while obtaining a consistent, low volatility return superior to other high quality alternatives over a full interest rate cycle. There is no assurance that the Fund will achieve its objective.

### Who May Invest

The Fund is offered exclusively to Wells Fargo & Company 401(k) Plan ("401(k) Plan") participants.

**Investors should consider investing in the Fund if they are:**

- Looking to preserve principal
- Looking for stable income
- Seeking a long-term investment with low volatility

**Investors should consider not investing in the Fund if they are:**

- Looking for FDIC insurance coverage or guaranteed rates of return
- Unwilling or unable to accept that you may lose money on your investment
- Unwilling to accept the risks involved in the securities market.

For further information on the Fund, including historical returns and fees, please refer to the Fund Fact Sheet. To obtain a copy of the Fund Fact Sheet, you may call 1-877-HRWELLS (1-877-479-3557) for the 401(k) Plan's automated phone line or go to the 401(k) Plan's website on Teamworks.

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## Fund Investments

Stable value is a fixed income asset class that utilizes a variety of investment contracts, including Security Backed Investment Contracts (also known as Synthetic GICs), Separate Account GICs, and traditional Guaranteed Investment Contracts (GICs). The distinctive feature of these contracts is that they are designed to provide, under most circumstances (see Risk Factors Section), participants access to their funds at contract value (also called book value), which is equal to their principal balance plus any accrued interest. This contract feature is called “benefit responsiveness.” The contracts are designed to enable the assets of a stable value fund to be valued at their contract value rather than the market value of the securities backing the contracts. Separate Account GICs and Security Backed Investment Contracts earn an income yield which is determined by a crediting rate formula that reflects the earnings of the Contracts’ underlying fixed income securities with gains or losses “smoothed” over time through the crediting rate formula. This positive earnings profile has made stable value funds a popular choice for retirement plan investors who are looking for a conservative fixed income option with an objective of providing principal preservation and a competitive income yield. It is the intent of the Fund’s management to provide the benefits of stable value investing through the Fund’s investment strategy, including a competitive yield without principal fluctuations. THERE CAN BE NO ASSURANCE THAT THE FUND WILL MAINTAIN A COMPETITIVE YIELD OR STABLE PRINCIPAL VALUE UNDER ALL CIRCUMSTANCES. A description of the Fund’s primary investments is provided below:

**Security Backed Investment Contracts.** Security Backed Investment Contracts are designed to provide principal preservation by providing for participant transactions at contract value. There are two key components in a Security Backed Investment Contract’s structure: 1) a portfolio of fixed income securities (“Underlying Assets”) which are held and owned by the Fund on behalf of investors, and 2) investment contracts (also known as wrap contracts) designed to be benefit responsive, which enables participants to make withdrawals at contract value. The following is an overview of these two Security

Backed Investment Contract components:

- **Fixed Income Securities.** The Underlying Assets for Security Backed Investment Contracts that the Fund may purchase include, but are not limited to U.S. Treasury securities; U.S. Agency securities; asset-backed securities; certificates of deposit; corporate securities; sovereign/supranational securities; mortgage-backed securities; municipal securities; derivative instruments; money market instruments; collective funds investing primarily in the permissible securities aforementioned above. All securities in the Fund are U.S. dollar denominated.
- **Investment Contracts.** The Fund purchases investment contracts (“wrap contracts”) which are designed to be benefit responsive from financial institutions such as banks and insurance companies. These wrap contracts are designed to allow for payments to participants to occur at contract value, regardless of the value of its Underlying Assets. The interest rate for a wrap contract is based initially on the yield of the Underlying Assets and then is reset periodically utilizing a crediting rate formula. Typically rates are reset quarterly, but may be reset more or less frequently. The basic function of the crediting rate formula is to amortize the realized or unrealized market value gain or loss in the Underlying Assets over a period of time defined by each contract. The wrap contract’s crediting rate generally tracks interest rates over time on a lagged basis. Wrap contracts are not assignable or transferable and, therefore, are considered illiquid investments. However, as noted above, the Underlying Assets backing the contracts are owned directly by the Fund and are marketable.

**Separate Account GICs.** Separate Account GICs are issued by insurance companies and backed by Underlying Assets held in an account segregated from the insurance company’s general account assets. A Separate Account GIC is also designed to be benefit responsive, which enables participants to make withdrawals at contract value, although the assets are owned by the insurer. Like Security Backed Investment Contracts, the rates credited by Separate Account GICs are reset on a periodic basis.

**Guaranteed Investment Contracts (“GICs”).** The Fund may invest in GICs issued by credit worthy U.S. and Canadian insurance companies which, at the time of investment, meet credit guidelines established by the Fund’s investment guidelines. GICs are obligations of insurance companies which generally provide fixed rates of interest over set periods of time. Some GICs can be structured to have either variable rates or variable maturities, or both. GICs are not insured by any federal agency. GICs may not be recognized as insurance policies in the event of the insolvency of the issuer and therefore the claims of GIC holders may remain unpaid until the claims of policy holders are paid. The instruments are generally not assignable or transferable without the consent of the issuers and have no publicly traded secondary market.

**Cash or Cash Equivalents.** The Fund may hold a certain amount of its assets in cash or instruments which are generally considered to be a functional equivalent of cash in terms of the ability of the Fund to use those assets to provide a ready source of liquidity to respond to redemptions or other unforeseen circumstances.

**Collective Investment Trusts.** The Fund may also invest in other collective investment trusts (“Underlying Fund(s)”) with investment objectives that are consistent with the Fund’s investment strategy. These other collective investment trusts may or may not be affiliated with Wells Fargo.

### Investment Strategy

The Fund will pursue its objective by actively managing a diversified portfolio of investment contracts, and the associated portfolio of Underlying Assets. All investment contract issuers and securities utilized by the Fund must be rated “investment grade” (not lower than Baa3 or BBB-) by one of the Nationally Recognized Statistical Rating Organizations at time of purchase. For liquidity purposes, the Fund attempts to maintain sufficient liquidity, as determined by the overall manager, by investing in cash and/or cash equivalents.

In addition to Galliard, the Fund also utilizes other

non-Wells Fargo affiliated investment sub-advisors to manage certain of the assets. As of the date of this disclosure sub-advisors used within the Fund include Jennison Associates LLC, Voya Investment Management Co. LLC, NYL Investors LLC, Barings LLC, Dodge & Cox, and TCW. All are registered investment advisors and fiduciaries under ERISA Section 3(21). Galliard is responsible for selecting unaffiliated sub-advisors, monitoring sub-advisor portfolios, and ensuring all sub-advisors function within established Fund investment guidelines for diversification, quality and interest rate risk (duration). Each sub-advisor’s performance is measured versus its respective fixed income benchmark or investment objective. Galliard may use its discretion to change the sub-advisors utilized by the Fund at any time, with or without notice.

**Portfolio Diversification.** The Fund generally invests up to 95% of its assets in Security Backed Investment Contracts, Separate Account GICs, and GICs. No single Security Backed Investment Contract issuer or Separate Account GIC issuer may wrap more than 25% of the Fund’s total assets at the time of placement. The Fund will generally not invest more than 3% of its total assets in the GICs of a single issuer at the time of purchase. It is intended that the Fund’s investment contracts will maintain a minimum weighted average credit quality rating of A. The overall average credit rating of the Underlying Assets in the Fund will be maintained at a minimum of AA. To calculate the average credit quality, Galliard first calculates a composite rating for each security or contract issuer. If Moody’s, S&P and Fitch all provide a credit rating, the composite rating is the median of the three agency ratings. If only two agencies provide ratings, the composite rating is the more conservative rating. If only one agency provides a rating, the composite rating reflects that agency’s rating. To calculate the overall weighted average rating of the Fund, each composite rating is assigned a numeric value, and issuers or securities that do not have a rating are assigned the lowest quality numeric value on the scale. The numeric ratings of issuers are contract value weighted and the numeric value of Underlying Assets are market value weighted (and rounded to the nearest integer if necessary) to arrive at the weighted average quality for the Fund.

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The Fund's Underlying Assets must have a credit rating of "investment grade" (not lower than Baa3 or BBB-) at the time of purchase and meet issuer diversification guidelines. Cash and cash equivalents may be held to accommodate cashflows. The duration of the Fund is not to exceed 3.5 years.

**Liquidity Management.** The Fund utilizes a "Liquidity Buffer" to manage participant activity within the Fund. In the context of the Fund, a Liquidity Buffer is an amount maintained in cash or cash equivalents with the goal of reducing the Fund's overall duration and providing an adequate amount of readily available assets to fund projected participant withdrawals.

Participant redemptions are first funded from net contributions and other transfers to the Fund received on the day a disbursement is funded. If additional funds are necessary, funds may be drawn from the Fund's Liquidity Buffer to fully fund any remaining amount. Only when this Liquidity Buffer is exhausted will the Fund's assets be liquidated to fund withdrawals. The minimum amount of the Fund's Liquidity Buffer is often governed by the Fund's Investment Guidelines; however, the Fund may maintain a Liquidity Buffer which is substantially in excess of this amount. Maintenance of a substantial Liquidity Buffer is an important safeguard to help assure that the Fund will not find itself in a position where it is necessary to draw upon the coverage provided by the Fund's stable value contracts. There can be, however, no guarantee that the liquidity needs of all Fund participants will be met by the Liquidity Buffer. If the Liquidity Buffer were inadequate to fund participant withdrawals, the Fund would be compelled to sell securities to create the necessary liquidity. Such sales could, depending on prevailing market conditions, cause a deviation between the Fund's market value and contract value, and ultimately invoke the coverage of the Fund's stable value contracts.

**Active Management.** Certain of the Security Backed Investment Contracts and Separate Account GICs utilized within the Fund are backed by Underlying Assets that are actively managed in varying investment styles. The Fund engages in active management of its Underlying Assets with a goal of improving diversification and enhancing performance

of the Fund through use of fixed income management strategies including but not limited to sector allocation, yield curve analysis and issue selection. It is hoped that such strategies can positively affect the crediting rate of the Investment Contracts over time without adding materially to the volatility of the overall Fund. Portfolio turnover generally involves some expense to the Fund, including non-affiliated dealer mark-ups and other transaction costs on the sale of securities and the reinvestment in other securities.

Frequent trading will result in a higher-than-average portfolio turnover ratio and increased trading expenses. Securities brokers and dealers for the Fund's portfolio transactions are selected on the basis of their ability to provide the best execution.

The Fund's advisor, Galliard, manages most of the Underlying Assets within the Security Backed Investment Contracts and Separate Account GICs within the Fund directly.

Certain managers selected for the Fund advise separate account GICs, or fixed income collective funds trusted by Wells Fargo which fully incorporate the managers' respective fixed income philosophy and investment approach.

**Annualized Portfolio Turnover.** The portfolio turnover rate is not a limiting factor when management deems portfolio changes appropriate. Changes may be made in the portfolios consistent with the investment objectives and policies of the portfolios whenever such changes are believed to be in the best interests of the portfolios and their interest holders. Portfolio turnover ratios for stable value funds are calculated at the underlying fixed income portfolio level. In the event that the Fund invests in traditional GICs or Short Term Investment Funds, portfolio turnover related to those components will not be included in the overall turnover ratio, consistent with Securities and Exchange Commission Form N-1A or N-3, as appropriate.

**Securities Lending.** The Fund does not currently engage in securities lending activities.



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## Risk Factors

The Fund is designed to allow participants to transact at contract value. There are a number of risks and events associated with investing in investment contracts and fixed income securities. These risks may adversely or positively affect future returns of the Fund. Important risk factors are addressed in this section.

**Cash Flow Risk.** This is the risk that the net effect of Fund contributions or withdrawals will have a negative impact on the Fund's crediting rate, thereby decreasing the income which the fund generates for participants, or could ultimately result in the need to invoke the terms of the coverage provided by the Fund's investment contracts (See "Investment Contract Risk" below). Also included in this risk is the notion that cash flows may be different than expected, making it more difficult to manage the investments in the Fund.

**Counter-Party Risk.** When the Fund enters into an agreement, such as an agreement to purchase or sell securities, the Fund is exposed to the risk that the other party will not fulfill its obligation.

**Crediting Rate Risk.** The Fund's yield is the aggregate of all of the investment contracts' individual crediting rates plus the yield on the cash portion of the Fund's portfolio. The basic function of the formula used to determine a Security Backed Investment Contract's or a Separate Account GIC's crediting rate is to amortize the market value gain or loss of the Underlying Assets over the duration of the portfolio. In circumstances where the Fund's market value is less than the Fund's contract value, the crediting rate will decrease in order to amortize the difference. In these circumstances, the Fund's yield may be reduced, crediting less than the income earned by the Underlying Assets.

An investment contract's crediting rate provides a fixed return for a period of time until the next rate reset. Typically, these rates are reset quarterly but may be reset more or less frequently. The use of the crediting rate formula and periodic reset schedule allow the contract's return to generally track market rates over time on a lagged basis. So,

for example, in an environment where interest rates are rising, the Fund's crediting rate may be lower than prevailing interest rates. The crediting rate formula's components include the Underlying Assets' yield, duration, and market value, in addition to the contract value. The management of these key variables can affect the volatility of the contract's overall crediting rate.

**Cyber security and operational Risks.** Wells Fargo business, financial, accounting, and data processing systems, or other operating systems and facilities, may stop operating properly or become disabled or damaged as a result of a number of factors, including events that are wholly or partially beyond our control. For example, there could be sudden increases in shareholder transaction volume; electrical or telecommunications outages; degradation or loss of public internet domain; climate change related impacts and natural disasters such as earthquakes, tornados, and hurricanes; disease pandemics; or events arising from local or larger scale political or social matters, including terrorist acts.

The Fund is also subject to the risk of potential cyber incidents which may include, but are not limited to, the harming of or unauthorized access to digital systems (for example, through "hacking" or infection by computer viruses or other malicious software code), denial-of-service attacks on websites, and the inadvertent or intentional release of confidential or proprietary information. Cyber incidents may, among other things, harm Fund operations, result in financial losses to a Fund and its shareholders, cause the release of confidential or highly restricted information, and result in regulatory penalties, reputational damage, and/or increased compliance, reimbursement, or other compensation costs. Fund operations that may be disrupted or halted due to a cyber incident include trading, the processing of shareholder transactions, and the calculation of a Fund's net asset value.

Issues affecting operating systems and facilities, either through cyber incidents or any of the other scenarios described above, may harm the Fund by affecting a Fund's advisor(s), or other service providers, or issuers of securities in which a Fund invests. Although Wells Fargo has business continuity

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plans and other safeguards in place, including what we believe to be robust information security procedures and controls, there is no guarantee that these measures will prevent cyber incidents or prevent or ameliorate the effects of significant and widespread disruption to our physical infrastructure or operating systems. Furthermore, Wells Fargo cannot directly control the security or other measures taken by unaffiliated service providers or the issuers of securities in which the Funds invest. Such risks at issuers of securities in which the Fund invests could result in material adverse consequences for such issuers, and may cause the Fund's investment in such securities to lose value.

**Debt Securities and Credit Risk.** Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Credit risk is the possibility that an issuer or credit support provider of an instrument will be unable to make interest payments or repay principal when due. Changes in the financial strength of an issuer or credit support provider or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that market interest rates may increase, which tends to reduce the resale value of certain debt securities, including U.S. Government obligations. Debt securities with longer durations are generally more sensitive to interest rate changes than those with shorter durations. Changes in market interest rates do not affect the rate payable on an existing debt security, unless the instrument has adjustable or variable rate features, which can reduce its exposure to interest rate risk. Changes in market interest rates may also extend or shorten the duration of certain types of instruments, such as asset-backed securities, thereby affect their value and returns. Debt securities may also have, or become subject to, liquidity constraints.

**Derivative Risk.** The term "derivatives" covers a broad range of investments, including futures, options and swap agreements. In general, a derivative refers to any financial instrument whose value is derived, at least in part, from the price of another security or a specified index, asset or rate.

The use of derivatives presents risks different from, and possibly greater than, the risks associated with

investing directly in traditional securities. The use of derivatives can lead to losses because of adverse movements in the price or value of the underlying asset, index or rate, which may be magnified by certain features of the derivatives. These risks are heightened when the portfolio manager uses derivatives to enhance a Fund's return or as a substitute for a position or security, rather than solely to hedge (or offset) the risk of a position or security held by the Fund. The success of management's derivatives strategies will also be affected by its ability to assess and predict the impact of market or economic developments on the underlying asset, index or rate and the derivative itself, without the benefit of observing the performance of the derivative under all possible market conditions. Certain derivative positions may be difficult to close out when a Fund's portfolio manager may believe it would be appropriate to do so. Certain derivative positions (e.g., over-the-counter swaps) are subject to counterparty risk.

Transactions in futures contracts involve certain risks and transactions costs. Risks include imperfect correlation between the price of the futures contracts and the price of the underlying securities, the possible absence of a liquid secondary market for any particular instrument, the counterparty or guaranteeing agent defaulting, and trading restrictions imposed by futures exchanges due to price volatility. Futures contracts involve the posting of margin deposits, and movement in the underlying securities may result in calls for additional payments of cash. The need to make such additional payments could require the Fund to liquidate securities at a disadvantageous time.

The Fund, including any of its Underlying Funds, and Wells Fargo are not required to register as commodity pool operators and will not purchase futures contracts for speculation.

**Fund-of-Funds Risk.** To the extent of its investment in other funds, the Fund bears the risks of those funds. There is no assurance that those Underlying Funds will achieve their objectives.

**Inflation-Protected Debt Securities Risk.** Inflation-

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protected debt securities are structured to provide protection against the negative effects of inflation. Inflation is a general rise in the prices of goods and services which can erode an investor's purchasing power. Unlike traditional debt securities whose return is based on the payment of interest on a fixed principal amount, the principal value of inflation-protected debt securities is periodically adjusted according to the rate of inflation and as a result, interest payments will vary. For example, if the index measuring the rate of inflation falls, the principal value of an inflation-protected debt security will fall and the amount of interest payable on such security will consequently be reduced. Conversely, if the index measuring the rate of inflation rises, the principal value on such securities will rise and the amount of interest payable will also increase. The value of inflation-protected debt securities is expected to change in response to changes in real interest rates. Generally, the value of an inflation-protected debt security will fall when real interest rates rise and inversely, rise when real interest rates fall.

**Information Risk.** The risk that information about a security is unavailable, incomplete or inaccurate.

**Interest Rate Risk.** Interest rate risk is the risk that the market value of the Underlying Assets will fluctuate as interest rates go up and down. For example, when interest rates go up, the market value of bonds will go down.

**Investment Contract Risk.** The Fund purchases investment contracts from financial institutions. These contracts are designed to enable the Fund to utilize contract value, rather than the market value of the Underlying Assets, when determining the Fund's value for participant transactions, pursuant to standards of practice issued by the Financial Accounting Standards Board. While these contracts normally allow for contract valuation, there can be no assurance this valuation can be maintained in certain circumstances. These contract risks include the risk that the contract issuer will default on its obligation under the contract, or that another event of default may occur under the contract rendering it invalid; that the premium or other fee payments under the contract will reduce the performance of the investment; or that the contract will be terminated

before a replacement contract with favorable terms can be secured.

In addition, the contracts may contain terms which reflect circumstances in which the Underlying Assets may be excluded, in whole or in part, from contract value treatment. If these Underlying Assets were not provided contract value treatment, they must be marked to market and could impact the ability to realize the full principal value of the investment in the Fund. While the specific terms of the Fund's various investment contracts may differ among the contract issuers, here are a few examples of circumstances where contract value treatment may not be provided to specific underlying assets:

- Credit defaults and other impairments of Underlying Assets are generally excluded from the investment contracts' coverage, subject to certain allowances and / or cure periods. The contracts are not intended to guarantee the credit quality or provide default protection for the Underlying Assets. Acting within the investment guidelines applicable to the Fund, the Fund relies on the credit analysis of its investment advisor or sub-advisors to avoid buying securities which may become impaired. Notwithstanding this, however, there can be no guarantee that Underlying Assets held by the Fund will not become impaired. The impairment of any of these Underlying Assets could cause the specific assets to be excluded from the investment contract's coverage, which could cause a loss of principal value in The Fund.
- Certain employer events are also excluded from the investment contracts' coverage. For example, the contracts recognize that certain "employer initiated events or communications" substantially increase the likelihood of large redemptions from the Fund. Thus, such employer initiated events may significantly increase the risk that a contract issuer be required to make a payment. Therefore, most investment contracts limit the contract value coverage provided for Fund withdrawals arising as a result of an employer initiated event. This limitation could cause a loss of principal in the Fund. Examples of employer initiated events include: advising Fund participants to redeem their Fund holdings, significant restructurings of operations, or large scale layoffs.



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Finally, each contract recognizes certain “Events of Default” which can invalidate contracts’ coverage. Among these are investments outside of the range of instruments which are permitted under the investment guidelines contained in the investment contract, fraudulent or other material misrepresentations made to the investment contract provider, changes of control of the investment advisor not approved by the contract issuer, changes in certain key regulatory requirements, or failure of the 401(k) Plan to be tax qualified.

While the Fund’s investment advisor endeavors to minimize the likelihood of any loss of contract value coverage from such events, THERE CAN BE NO ASSURANCE THAT SUCH A LOSS OF CONTRACT VALUE COVERAGE WILL NOT OCCUR, WHICH COULD RESULT IN A LOSS OF PRINCIPAL VALUE OF YOUR INVESTMENT.

**Issuer Risk.** The value of a security may decline for a number of reasons that directly relate to the issuer such as management performance, financial leverage, and reduced demand for the issuer’s goods, services or securities.

**Liquidity Risk.** This risk generally relates to the degree to which an investment can be easily sold or converted into cash.

In a fixed income context, it is the risk that a security cannot be sold at the time desired, or cannot be sold without adversely affecting the price. The securities in some foreign companies may be less easy to buy and sell (that is, less liquid) and their prices may be more volatile than securities of comparable U.S. companies. In addition, the differing securities market structures and various potential administrative difficulties, such as delays in clearing and settling portfolio transactions or in receiving payment of dividends, may reduce liquidity and adversely affect the value of some securities. In a stable value context, it is the risk relating to participants’ ability to access funds without market value risk or other penalty. At the portfolio level, it means the ability to meet cash flow demands without having to sell investments at distressed prices. The Fund is structured to provide adequate liquidity for

normal withdrawal needs. However, the Fund should be considered a long-term investment for participants to accumulate retirement assets.

**Management Risk.** This is the risk that the investment techniques and risk analyses used by Galliard and the Fund’s sub-advisors will not produce the desired results, which may lead to unanticipated losses or underperformance. Neither the 401(k) Plan, nor the Fund will “make good” on any investment loss you may suffer, nor does any entity with which the 401(k) Plan contracts to provide services, such as selling agents or investment advisors, promise to make good on any such losses.

**Market Risk.** The market price of securities owned by the Fund may go up or down, sometimes rapidly or unpredictably. Securities may decline in value or become illiquid due to factors affecting securities markets generally or particular industries represented in the securities markets, such as labor shortages or increased production costs and competitive conditions within an industry. A security may decline in value or become illiquid due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates, or adverse investor sentiment generally. During a general downturn in the securities markets, multiple asset classes may decline in value or become illiquid simultaneously.

**Mortgage- and Asset-Backed Securities Risk.** Mortgage and asset-backed securities represent interests in “pools” of mortgages or other assets, including consumer loans or receivables held in trust. In addition, mortgage dollar rolls are transactions in which a Fund sells mortgage-backed securities to a dealer and simultaneously agrees to purchase similar securities in the future at a predetermined price. Mortgage- and asset-backed securities, including mortgage dollar roll transactions, are subject to certain additional risks. Rising interest rates tend to extend the duration of these securities, making them more sensitive to changes in interest rates. As a result, in a period of rising interest rates, these securities may exhibit additional volatility. This is

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known as extension risk. In addition, these securities are subject to prepayment risk, which is the risk that when interest rates decline or are low but are expected to rise, borrowers may pay off their debts sooner than expected. This can reduce the returns of a Fund because the Fund will have to reinvest that money at the lower prevailing interest rates. This is also known as reinvestment risk. These securities also are subject to risk of default on the underlying mortgage or assets, particularly during periods of economic downturn.

**Multi-Style Management Risk.** Because certain portions of the Fund's assets are managed by different portfolio managers using different styles, the Fund could experience overlapping security transactions. Certain portfolio managers may purchase securities at the same time other portfolio managers may sell those same securities. This may lead to higher transaction expenses.

**Political Risk.** The risk that political actions, events or instability may be unfavorable for investments made in a particular nation's or region's industry, government or markets.

**Prepayment Risk.** Prepayment risk is the risk that the issuers of the bonds owned by a fund will prepay them at a time when interest rates have declined. Because interest rates have declined, the fund may have to reinvest the proceeds in bonds with lower interest rates, which can reduce the fund's return.

**Regulatory Risk.** Changes in government regulations may adversely affect the value of a security.

**Sector Emphasis Risk.** Investing a substantial portion of a Fund's assets in related industries or sectors may have greater risks because companies in these sectors may share common characteristics and may react similarly to market developments.

**Stripped Securities Risk.** Stripped securities are the separate income or principal components of debt securities. These securities are particularly sensitive to changes in interest rates, and therefore subject to greater fluctuations in price than typical interest bearing debt securities. For example, stripped

mortgage-backed securities have greater interest rate risk than mortgage-backed securities with like maturities, and stripped treasury securities have greater interest rate risk than traditional government securities with identical credit ratings.

**U.S. Government Obligations Risk.** U.S. Government obligations include securities issued by the U.S. Treasury, U.S. Government agencies or government sponsored entities. While U.S. Treasury obligations are backed by the "full faith and credit" of the U.S. Government, securities issued by U.S. Government agencies or government-sponsored entities may not be backed by the full faith and credit of the U.S. Government. The Government National Mortgage Association (GNMA), a wholly owned U.S. Government corporation, is authorized to guarantee, with the full faith and credit of the U.S. Government, the timely payment of principal and interest on securities issued by institutions approved by GNMA and backed by pools of mortgages insured by the Federal Housing Administration or the Department of Veterans Affairs. Government-sponsored entities (whose obligations are not backed by the full faith and credit of the U.S. Government) include the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC). Pass-through securities issued by FNMA are guaranteed as to timely payment of principal and interest by FNMA but are not backed by the full faith and credit of the U.S. Government. FHLMC guarantees the timely payment of interest principal, but its participation certificates are not backed by the full faith and credit of the U.S. Government. If a government-sponsored entity is unable to meet its obligations or its creditworthiness declines, the performance of a Fund that holds securities issued or guaranteed by the entity will be adversely impacted. U.S. Government obligations are subject to low but varying degrees of credit risk, and are still subject to interest rate and market risk.

**Yield Curve Risk.** Yield curve risk refers to the exposure that a security or portfolio may have in the event of changes in the yield differences required by investors between short and long term debt instruments, (i.e. the yield curve) that will affect the return of an investment either positively or negatively.

## Fees and Expenses

**Advisory and Sub-Advisory Expenses.** Galliard charges an annualized investment management fee of 0.05%. Wells Fargo & Company (“Wells Fargo”) currently pays this fee directly and therefore it is not deducted from the Fund’s net asset value. Effective January 1, 2012, sub-advisor investment management fees for the Fund are being deducted directly from the Fund’s net asset value. Prior to January 1, 2012, sub-advisor investment management fees were paid by Wells Fargo. Subadvisors are unaffiliated with Wells Fargo.

**Investment Contract Fees.** The Fund will pay investment contract fees for the Security Backed Investment Contracts and Separate Account GICs that are described in the Fund Investment section above. Investment contracts are selected on the basis of issuer credit quality, ability to meet contract bid specifications and cost.

**Underlying Fund Expenses.** The Underlying Funds may charge investment management and investment contract fees to the Fund. The Underlying Funds will also incur operating expenses, including fund accounting, audit and other administrative expenses. These Underlying Fund expenses will be in addition to the fees and expenses deducted from the Fund’s net asset value. The amounts associated with these expenses are provided in the Annual Fund Expense Table. The Underlying Funds pay expenses for trading costs which are not included in these operating expenses but are reflected in the net asset values of the Underlying Funds.

### Annual Fund Expense Table

The following table shows the total annual operating expenses that are deducted directly from the Fund and reduces the rate of return. The expenses are accrued on a daily basis. The cumulative effect of fees and expenses will reduce the growth of your retirement savings. Fees and expenses are only one of many factors to consider when you decide to invest in this Fund. You may also want to think about whether an investment in this Fund, along with your other investments, will help you achieve your financial goals.

Expense	Expense Ratio (as of 12/31/17)
Galliard Investment Management Fees*	N/A
Subadvisor Management Fees**	0.014%
Investment Contract Fees	0.175%
Collective Investment Fund Fees & Expenses	0.036%
-Investment Contract Fees	0.013%
-Other Collective Investment Fund Fees & Expenses	0.023%
12b-1 Distribution Fee	None
Other Expenses	None
<b>Total Annual Fund Operating Expenses***</b>	<b>0.225%</b>
<b>Cost Per \$1,000</b>	<b>\$2.25</b>

\*Galliard Capital Management, an affiliate of Wells Fargo & Company, charges an annualized investment management fee of 0.05%. Wells Fargo & Company currently pays this fee directly and therefore it is not deducted from the Fund’s net asset value.

\*\*Effective January 1, 2012, subadvisor investment management fees for the Fund are being deducted directly from the Fund’s net asset value. Prior to January 1, 2012, subadvisor investment management fees were paid by Wells Fargo & Company. Subadvisors are unaffiliated with Wells Fargo & Company.

\*\*\*Total Annual Fund Operating Expense will be reflected daily in the Fund’s net asset value.

### Valuation of Units

**Valuation of Units.** An investment by a 401(k) Plan participant in the Fund results in the issuance of a given number of participation interests (“Units”) in the Fund for that participant’s account. Galliard determines the purchase price and redemption price of Units (the “Unit Value”) at the close of each day Wells Fargo is open for business or any time Galliard deems appropriate in its discretion (a “Valuation Date”). Generally, the Fund’s Unit Value equals the total value of each asset held by the Fund, less any liabilities, divided by the total number of Units outstanding on the Valuation Date.

**Suspension of Trading.** Under certain circumstances, Galliard may in its discretion choose temporarily not to execute requests to purchase or redeem Units of the Fund. Such circumstances include restriction or suspension of trading on the exchanges where the Fund’s portfolio securities are traded and such other

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unusual circumstances as would, in the judgment of Galliard, make disposal of the Fund's investments not reasonably practicable. This may result in a delay in the valuation date as of which the execution of redemptions or purchases occur.

### **Purchases and Redemptions of Units**

**Direction of Investments.** The 401(k) Plan is administered as set forth in the plan documents. Only authorized persons can direct the purchase or redemption of Units.

**Purchases of Units in the Fund.** The 401(k) Plan's Trustee receives contributions to the Fund (including contributions made under the 401(k) Plan and proceeds from the sale of other 401(k) Plan investments) and invests them in accordance with proper investment directions.

Units in the Fund, including fractional units thereof, will be purchased at the Unit Value next determined after cash contributions or proceeds from sales are received by the Trustee pursuant to proper investment instructions. (See "Valuation of Units" and "Trading cutoff times").

All investments in the Fund are subject to a determination by the 401(k) Plan's Trustee that the investment instructions are complete. The 401(k) Plan or Trustee reserves the right at its discretion to (i) suspend the availability of Units and (ii) reject requests for purchase of Units when, in the judgment of the 401(k) Plan or Trustee, such suspension or rejection is in the best interest of the Fund.

Certificates for Fund Units will not be issued.

**Reinvestment of Income.** The Fund reinvests all of its income (including realized capital gains, if any). Such income will not be paid out as dividends or other distributions. Income earned on assets in the Fund is reinvested and included in the Fund's daily Net Asset Value ("NAV").

**Trading Cutoff Times.** Requests to purchase or redeem units of the Fund must be received by the

Trustee before 4:00 p.m. (ET) on a Valuation Date. If the markets close early, trading for the Fund may close early, and requests to purchase or redeem units of the Fund must be received before such earlier time. Requests received in proper form before these times are generally processed at that day's NAV. Requests received after these times are generally processed at the next business day's NAV. The 401(k) Plan may have earlier cutoff times due to administrative requirements.

**Redemption of Units.** An authorized party may instruct Galliard in writing to redeem some or all Units. Units will be redeemed at the Unit Value pursuant to the trade cutoff times described above, and redemption proceeds will generally be paid to the account within one business day after receipt of the redemption request. See exceptions in the Withdrawal Limitations Section. Redemptions are subject to determination that the investment instructions, distribution requests and other distribution documents, if any, are complete.

Subject to applicable legal and regulatory restrictions, the Trustee may impose reasonable notice requirements at its discretion, and may suspend redemption privileges or postpone the date of payment of redemption proceeds indefinitely.

Units in the Fund are not transferable.

Although the Fund does not anticipate the need to make in-kind distributions of portfolio securities, the Fund may, under extraordinary circumstances and at its discretion, make such distributions in lieu of or in addition to cash distributions.

**Withdrawal Limitation.** 401(k) Plan participant withdrawals are allowed at any time without penalty, regardless of their frequency or amount. To meet these obligations, an allocation is typically maintained in cash equivalents and Fund maturities are structured to assure adequate liquidity. Additionally, investment contracts seek to provide contract value payments for qualified participant withdrawals. The Fund also requires participants to invest in a "non-competing fund" for at least 90 days before transferring to a "competing" fund

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option. Examples of “competing” fund options include a money market fund, a high quality bond fund with a duration of three years or less, or other principal preservation funds. The Plan Administrator for the 401(k) Plan will establish the 401(k) Plan’s requirements.

**Frequent Trading of Fund Units.** The Fund may establish whatever rules and procedures necessary or appropriate from time to time for processing elections. This specifically includes rules prohibiting or limiting “market timing” activities or anything else that the Fund or an Underlying Asset decides could have an adverse impact on other participants or the 401(k) Plan. The possible rules could involve delaying the implementation of elections, establishing deadlines for receiving elections from them to be processed by a certain date, limiting the number of elections that can be made in a particular period or dollar amount of transactions that can be made, or any other measure the Fund decides is called for under the circumstances.

## Regulatory Oversight

**Securities Exchange Commission.** Galliard is an investment advisor registered under the Investment Advisers Act of 1940, and subject to the rules of the Securities Exchange Commission (SEC). These rules help ensure that registered investment advisors meet their fiduciary obligations to their customers.

**Office of the Comptroller of the Currency.** The Fund invests in collective investments funds managed and trusted by Wells Fargo. Wells Fargo, as a national bank, is subject to the regulations of the Office of the Comptroller of the Currency (“OCC”). These regulations help ensure that banks meet their fiduciary obligations to their customers. Investments in the Fund, however, are not bank deposits, are not insured by the FDIC or any other agency of the U.S. Government, and may lose value.

**ERISA.** The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), places certain investment restrictions on the Fund. ERISA provides that fiduciaries, including Wells Fargo and Galliard, are subject to certain fiduciary obligations in addition to any obligations imposed by instruments establishing the Fund. Galliard does provide services as a Fiduciary. Galliard is also an investment advisor registered under the Investment Advisers Act of 1940.

**Commodity Futures Trading Commission.** The Fund is operated by a person who has claimed an exclusion from the definition of the term “commodity pool operator” under the Commodity Exchange Act and, therefore, who is not subject to registration or regulation as a commodity pool operator under the Commodity Exchange Act.

**Copies of the Disclosure.** For additional copies of this Disclosure, please call 1-877-HRWELLS (1-877-479-3557), and select option 1.

**Account Information.** For account balance and other information, you may call 1-877-HRWELLS (1-877-479-3557) for the 401(k) automated phone line or go to the 401(k) Plan’s website at [Teamworks](http://Teamworks.wellsfargo.com) or [teamworks.wellsfargo.com](http://teamworks.wellsfargo.com).