

Wells Fargo Small Issuer Long Credit Index

Methodology

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**Please see the disclosure appendix of this publication
for certification and disclosure information**

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Introduction

The Wells Fargo Small Issuer Long Credit Index (the “Index”) is designed to track the performance of Investment Grade Corporate and Government-related Debt with at least ten years until the stated final maturity and outstanding par amounts of greater than or equal to \$300 million. The Index is composed of fixed-rate, taxable, US dollar denominated bonds, issued by corporate and non-corporate components that includes non-US agencies, sovereigns, supranationals and local authorities, with an investment grade rating or classified as investment grade by Bloomberg Index Services Limited (collectively with its affiliates, “Bloomberg”) in accordance with the index methodology governing the Reference Index (defined below) in its capacity as the administrator of the Reference Index (“Reference Index Administrator”).

Wells Fargo Asset Management¹ owns and maintains the Selection Procedure methodology (the “Selection Procedure”) which determines the composition of the Index based on a rules-based process that selects components from the Reference Index and weights them according to prescribed criteria. Wells Fargo Asset Management, as the Index Administrator, establishes the Wells Fargo Small Issuer Long Credit Index’s constituents and weightings using the Selection Procedure. Wells Fargo Asset Management may consult with the Strategic Indexing Team of Wells Fargo Securities, LLC² in connection with both the creation and the application of the Selection Procedure. The Wells Fargo Asset Management Product Committee evaluates and approves all proposed modifications to the Selection Procedure.

Index Eligibility

Securities that are eligible for inclusion in the Wells Fargo Small Issuer Long Credit Index are those constituents included in the Bloomberg Barclays Long Credit Index (the “Reference Index”) as of the date the Selection Procedure (described below) is applied. The Reference Index Administrator, using the methodology for the Reference Index, determines the initial security eligibility prior to application of the Selection Procedure. For any past or future rebalance date, the Reference Index, as constituted on that past or future selection date, includes all the securities eligible for inclusion in the Wells Fargo Small Issuer Long Credit Index for that rebalance. As of the publish date of this document, to be eligible for inclusion in the Reference Index, a class or issue of securities must meet the following criteria:

- Securities must have principal amount and interest denominated in USD.

¹ Wells Fargo Asset Management is a division of Wells Fargo Wealth and Investment Management that operates across different legal entities, all of which are direct or indirect subsidiaries of Wells Fargo & Co. Wells Capital Management is a registered investment advisor and a dedicated institutional asset manager under the Wells Fargo Asset Management umbrella. The Portfolio Risk Management and Analytics (PRMA) team is a risk and quantitative analytics group within Wells Capital Management, LLC.

² Wells Fargo Securities, LLC is not part of Wells Fargo Asset Management or Wells Fargo Wealth and Investment Management, but is an indirect subsidiary of Wells Fargo & Company.

- Securities must have USD 300 million minimum par amount outstanding.
- Component securities do not have to be rated. If securities are rated by all of Moody's Investors Service ("Moody's"), Standard & Poor's (S&P) and Fitch Ratings ("Fitch" and together with Moody's and S&P, the "Agencies"), to be included, the securities must be rated investment grade (BBB-/BBB- or higher) using the middle of the ratings of Moody's, S&P and Fitch. When a security is rated by only two of the Agencies, then the lower of the two is used and it must be rated investment grade. When only one Agency rates a bond, that rating is used and must be investment grade for the securities to qualify. In cases where explicit bond level ratings are not available, the Reference Index Administrator will use other sources to classify the securities by credit quality, in accordance with the methodology for the Reference Index.
- Securities must have a fixed-rate coupon. Callable fixed-to-floating rate bonds are eligible during their fixed-rate term only. Bonds with a step-up coupon that changes according to a predetermined schedule are eligible.
- Securities must have at least ten years until the stated final maturity, disregarding optionality and call rights. Securities previously included in the Index will be eliminated on or about the date that is ten years prior to the stated maturity date for the class or series.
- Securities that convert from fixed to floating rate, including fixed-to-floating rate perpetual securities and fixed-to-floating rate capital securities, will be included but will exit the index on or about the date that is one year prior to conversion to floating-rate. Fixed-rate perpetual securities are not included.
- Securities must be fully taxable.
- Securities must be either SEC-registered bonds or bonds exempt from registration at the time of issuance but eligible for resale under SEC Rule 144A (with or without registration rights). A security with both SEC Regulation S (Reg S) and Rule 144A tranches is treated as one class or series of securities and not two for index purposes. The identifier for the Rule 144A tranche is used to reference the component in order to prevent double-counting, but the size of the class or series will be the combined amount outstanding under both the Rule 144A and Reg S tranches. Securities issued on a Reg S basis only and not having a Rule 144A tranche will not be eligible for inclusion in the Index.

Eligible Security types include bullet, puttable, sinkable/amortizing and callable bonds. Taxable municipal securities, including Build America Bonds (BAB), original issue zero coupon bonds, underwritten medium-term notes, enhanced equipment trust certificates (EETC), certificates of deposit, fixed-rate and fixed-to-float (including fixed-to-variable) securities are also included.

Ineligible Security types include contingent capital securities, bonds with equity type features (e.g., warrants, convertibles, preferred securities, dividend received deduction/qualified dividend income eligible issues), inflation-linked bonds, floating rate issues, tax-exempt municipal securities, private placements, retail bonds, USD25/USD50 par bonds, structured notes, pass-through certificates and securities determined to be illiquid by the Reference Index Administrator using the methodology for the Reference Index.

Selection Procedure Definition

The Selection Procedure is defined as the selection of securities in the Reference Index by evaluating securities on an individual basis. The evaluation is intended to create a sub-set of the Reference Index by eliminating the largest issuers by size (reference index eligible issuance outstanding). The evaluation then applies a graduated weighting scheme that is intended to limit the impact of issuers moving in and out of the index during future selection procedures.

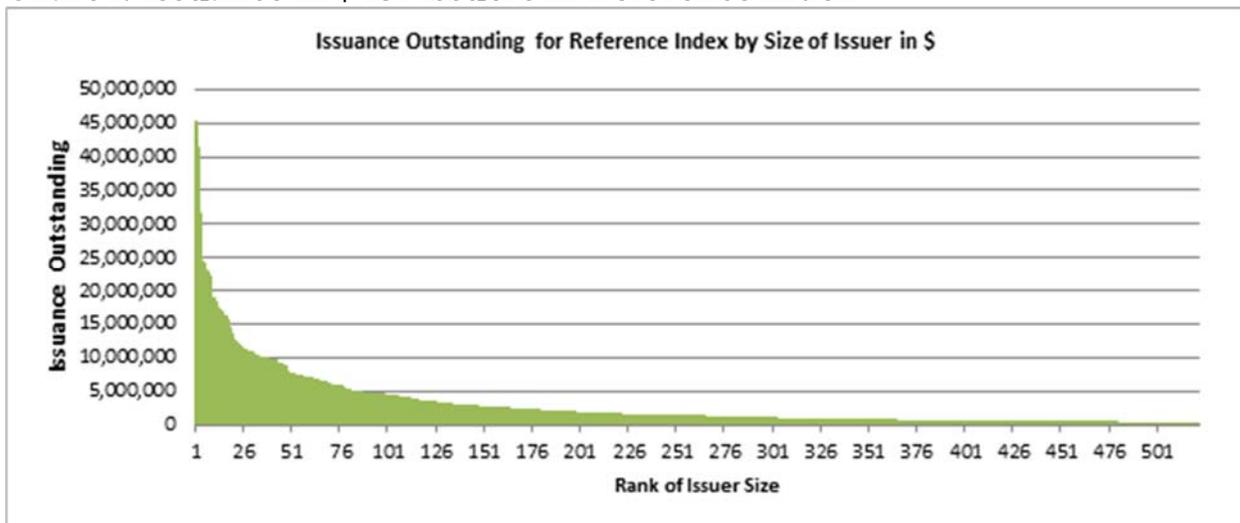
Selection Procedure Application

The Selection Procedure attempts to improve diversification and limit the impact of issuers moving in and out of the index during future selection procedures by following the steps described below.

Step 1: Issues in the Reference Index are grouped by issuer

Step 2: Issuers are ranked by total issuance outstanding and assigned a rank *i* (1 = largest issuer to *N* = smallest issuer); see chart 1 below.

Chart 1. Issuance in \$ for issuers in Reference Index



Step 3: The tenth percentile issuer is determined, herein referred to as issuer number I_{10} . Example: if the index has 520 issuers, the 52nd issuer would be the 10th percentile issuer. Should the calculation of the position of the 10th percentile issuer result in a non-integer value, the fractional part of the value will be truncated. For example, should the reference index have 529 issuers, resulting in a calculated 10th percentile position of 52.9, we will determine the 52nd issuer to be the 10th percentile issuer.

Step 4: Determine the issuer weight adjustment, illustrated in the Scaling Factor Column of Chart 2, to issuer number I_{10} , the 10 issuers above I_{10} and the 10 issuers below issuer number I_{10} . For clarification purposes the 10th issuer above I_{10} will be scaled down to a 0% weight and therefore not be included in the index.

Chart 2. Scaling Factor of Graduated Weighting Scheme.

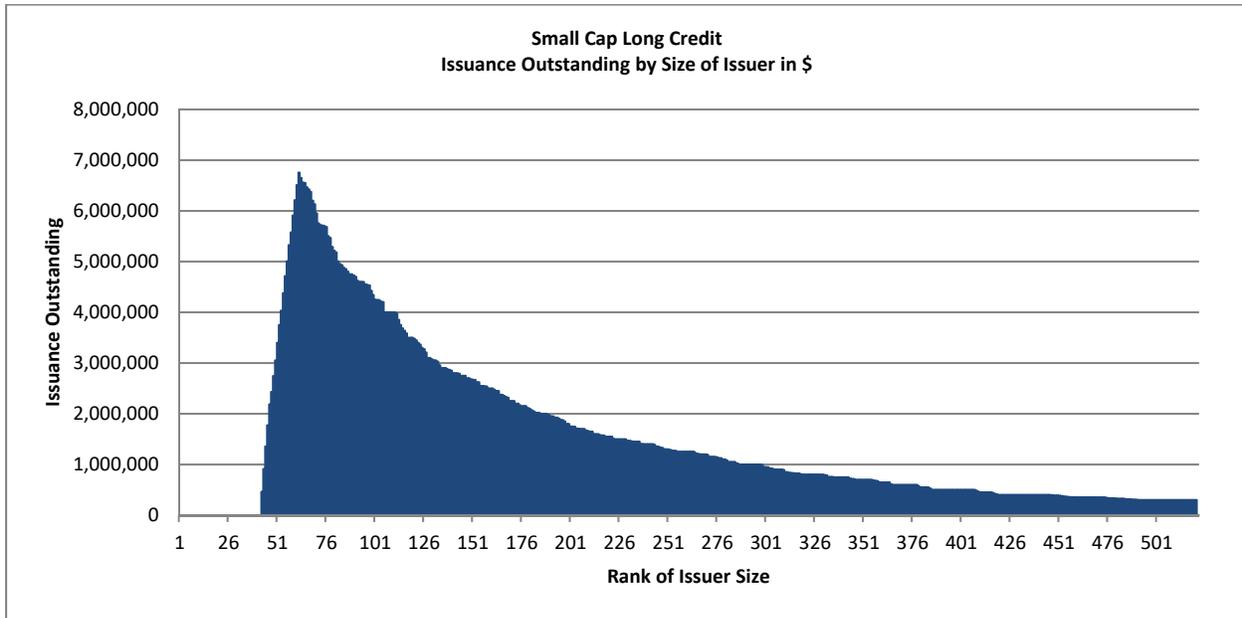
Example Assumes 520 Issuers in Reference Index

Issuer Rank in Reference Index by percentile	Scaling Factor for SILC
42	0%
43	5%
44	10%
45	15%
46	20%
47	25%
48	30%
49	35%
50	40%
51	45%
(I_{10}) → 52	50%
53	55%
54	60%
55	65%
56	70%
57	75%
58	80%
59	85%
60	90%
61	95%
62	100%

Step 5: The issuers ranked above the issuers in the graduated weighting scheme are removed from the index. For example, issuers that are ranked between 1 and 42 in the above example will retain a zero weighting in the SILC index and therefore will not be included in the index.

Step 6: The remaining issuers and the issuers in the graduated weighting scheme constitute the Wells Fargo Small Issuer Long Credit Index. They are weighted based on the market value of their total index eligible issuance outstanding with the exception of securities who qualify for a graduated weighting adjustment. Chart 3 is an example of the expected issuer weighting structure of the index.

Chart 3. Example of issuance weighting in Wells Fargo Small Issuer Long Credit Index



Calculation of the Index

The Index is calculated by Bloomberg (or a successor calculation agent selected by Wells Fargo Securities, LLC) using the weighting methodology and pool of eligible securities identified by Wells Fargo Asset Management and the Wells Fargo Securities, LLC Index Review Committee.

Bloomberg will calculate the individual constituent returns using the same methodology and pricing as is used in the Reference Index. The securities will be weighted according to values provided at each monthly rebalancing by Wells Fargo Asset Management.

The Index began on 04/01/2018, with a base value of 100.

The total return value of the Index in USD will be calculated under the ticker symbol "I33822US".

The Index and the Reference Index are calculated and published daily at the end of day using prices obtained by Bloomberg in accordance with the methodology for the Reference Index as of 3pm Eastern Time. The Index and the Reference Index are calculated five (5) days a week, Monday through Friday with exception of national holidays.

Rebalancing

The Index is rebalanced monthly as of the close of business on the final Trading Day (defined below) each Month (the “Monthly Rebalance Date”). A “Trading Day” is a day on which the U.S. bond markets are open for trading and excludes any day that is a recommended holiday for such markets, as published by the Securities Industry Financial Markets Association (“SIFMA”) on its website at <http://www.bondmarkets.com/holiday.asp?catid=43&image=pressreleases>. Trading Days shall include days on which trading is scheduled to take place, but on which the markets are subject to an early close.

Index rebalancing is carried out by Wells Fargo Asset Management, which as Index Administrator is responsible for determining the index constituents and their respective weights. Bloomberg reviews the rebalancing calculations conducted by Wells Fargo Asset Management and establishes the re-balanced Index.

To the extent that Wells Fargo Asset Management or Bloomberg discovers a material error in a calculation, whether made by Wells Fargo Asset Management, Bloomberg or due to a third party’s inaccurate data or otherwise, Bloomberg will use commercially reasonable efforts to re-calculate the market capitalization and Index values as promptly as practicable after the error is discovered, subject to the discretion of Wells Fargo Asset Management as administrator of the Index. The Wells Fargo Securities, LLC Index Review Committee will monitor calculations made by Wells Fargo Asset Management to ensure that the selection criteria have been appropriately applied. Wells Fargo Asset Management will monitor the pricing and market capitalization data on which it and Bloomberg relies in connection with maintenance and calculation of the Index, respectively, to check for inaccuracies.

Corporate Actions and Other Material Events requiring Rebalancing

Adjustments to the composition of the Index are made by Bloomberg upon the occurrence of certain corporate actions. Corporate actions for the Index are handled by Bloomberg in accordance with the Reference Index methodology.

The Index will also be rebalanced upon the occurrence of a default, bankruptcy, administration or similar insolvency event or a merger, reorganization or similar change of control event impacting one or more of the constituent securities.

Adjustments for corporate actions as well as adjustments for material events, such as bankruptcies and defaults, described below, are generally made by Bloomberg at or about the time of the event rather than waiting until the following Monthly Rebalance Date.

The Wells Fargo Securities, LLC Index Review Committee will review adjustments made by Bloomberg to constituent securities in accordance with this Methodology and with the Reference Index methodology.

Special Circumstances

Except as provided below, if on any Trading Day Bloomberg fails to calculate the Index, for any reason, the Index will not be calculated for that day. If one or more events occur on any Trading Day that impede Bloomberg's ability to calculate the Index (e.g., a labor strike, blackout, computer malfunction, natural disaster, etc.), Bloomberg will use its reasonable efforts to calculate and publish the Index performance information for the Trading Day, but there will be no guarantee of a reasonable or accurate valuation until the effects of such event have dissipated. Should Bloomberg be unable to calculate the Index for a period greater than five consecutive Trading Days, the Wells Fargo Securities, LLC Index Review Committee, or its designated delegates, may calculate the Index based on information from such sources as Wells Fargo Securities, LLC determines are accurate and reasonable, including the trading desks and Fixed Income Research Department of Wells Fargo Securities, LLC. Wells Fargo Securities, LLC may, but will have no obligation to, calculate or disseminate Index performance should Bloomberg be unable to do so.

Late Adjustments and Corrections

If Wells Fargo Securities, LLC, Wells Fargo Asset Management or Bloomberg becomes aware of any error that has or could have a material effect on the Index, they will use reasonable efforts to rebalance the Index or to cause Bloomberg to re-calculate the Index, as promptly as practicable following discovery of the error, to correct the error.

Dissemination of Index Information & Firewall

Wells Fargo Securities, LLC will be responsible for reviewing the composition of the Index, as determined by Wells Fargo Asset Management and for consulting with Wells Fargo Asset Management in connection with its application of the Selection Procedures. Determinations by Wells Fargo Asset Management, Wells Fargo Securities, LLC and the Wells Fargo Securities, LLC Index Review Committee to change the Index components, re-weight components or change the Selection Procedures are all treated as material, non-public information. Such changes will be provided to Bloomberg on a confidential basis. Determinations will generally be made no later than two trading days prior to a Monthly Rebalancing Date and as soon as practicable after the occurrence of a corporate action, default or bankruptcy or similar event. Bloomberg will use commercially reasonable efforts to make this information available via the Bloomberg ProfessionalSM service on the relevant Monthly Rebalance Date or such other rebalance date. Until its publication by Bloomberg, access to the information will be restricted to employees on the Wells Fargo Securities, LLC Index Review Committee, Wells Fargo Asset Management and Wells Fargo Securities, LLC that have responsibility for maintaining, reviewing or consulting on the Index (the "Index Personnel") as well as the Bloomberg calculation personnel and their respective staff. Communication to personnel within or outside of Wells Fargo Securities, LLC or Wells Fargo Asset Management other than Index Personnel or legal or compliance personnel regarding the choices will be strictly prohibited and such personnel

will be prohibited from trading in such securities for their personal account or their family's accounts. The Compliance Departments of Wells Fargo Securities, LLC and Wells Fargo Asset Management will monitor the Index Personnel and related personnel for compliance with the firms' firewall policies and procedures.

Wells Fargo Securities, LLC Index Review Committee

The Wells Fargo Securities, LLC Index Review Committee will periodically review the composition of the Index and ensure that the Index is in compliance with the Selection Procedure. The Wells Fargo Securities, LLC Index Review Committee will review changes recommended by Wells Fargo Asset Management to the Selection Procedure from time to time as it deems appropriate in its sole discretion. The Wells Fargo Securities, LLC Index Review Committee will cause Wells Fargo Asset Management to publicly disclose all material changes at least five (5) Trading Days prior to implementation, unless a change is required to be made immediately by law, in which case, it will cause Wells Fargo Asset Management to publish the changes as promptly as practicable after implementation of the change. The Wells Fargo Securities, LLC Index Review Committee may appoint a new calculation agent and/or a new reference index provided that it publishes notice of such appointment at least five (5) Trading Days prior to implementation. The Wells Fargo Securities, LLC Index Review Committee generally includes members of Wells Fargo's Research Department and Compliance Department, among others.

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The Bloomberg Barclays US Long Credit Bond Index is calculated and maintained by Bloomberg as the Reference Index Administrator. As the Reference Index Administrator, Bloomberg may change its policies, including the Reference Index Methodology, which could affect the Index level or values. The Reference Index Administrator may decide to discontinue calculating and publishing the Reference Index and has no obligation to take the interests of holders of any product directly or indirectly linked to the performance of the Reference Index into consideration for any reason in making such determination.

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