

# European Senior Secured Credit

Portfolio benchmark: Credit Suisse Institutional Western European Leveraged Loan B and Above Index (EUR) | As of September 30, 2018

## Investment objective

- A European focused senior secured loan and high yield bond strategy aiming to outperform the Credit Suisse Institutional Western European Leveraged Loan B and Above Index
- Return Objective : Cash 4-6% per annum

## Investment benefits

- Exposure to the safest part of sub-investment grade issuers' capital structure, allowing investors to benefit from the same level of creditor protection as lending banks
- Strong risk-adjusted returns owing to the fact that Senior Secured credit boasts a higher recovery rate and a lower level of volatility than other segments of the sub-investment grade credit market
- Additional protection is afforded by the inclusion of a rating floor at B-

## Compared to traditional High Yield strategies, the combination of loans and bonds in one strategy allows investors:

- Protection against rising rates by reducing duration as loans are floating rate assets
- To create alpha by expressing relative value views between the two asset classes
- To source assets and remain invested with the same level of seniority and creditor protection at times when the loan market is supply constrained

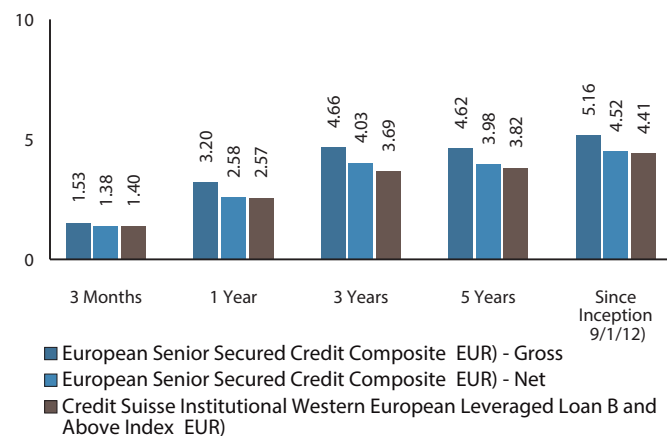
## Investment team

### An experienced team with a consistent investment process

- Average industry experience of portfolio managers is 19 years.
- Firm-wide investment philosophy embedded in the process since 1999.
- One of the first specialist loans strategies to launch in 2006, giving one of the longest track records.
- Investment process based on proprietary research rather than public credit ratings.

## Investment performance<sup>1</sup>

Historical returns (%)



## Quality distribution<sup>2</sup>

| Rating  | Portfolio weight % |
|---------|--------------------|
| BBB     | 0.00               |
| B       | 94.21              |
| Below B | 1.82               |
| NR      | 0.00               |
| Cash    | 3.97               |

## Asset class allocation<sup>2</sup>

| Asset class                 | Portfolio weight % |
|-----------------------------|--------------------|
| Senior Secured Loans        | 83.77              |
| Senior Secured High Yield   | 10.25              |
| Cash                        | 3.97               |
| Senior Unsecured High Yield | 2.01               |

## Yield<sup>2</sup>

|                                 |       |
|---------------------------------|-------|
| Weighted average yield to worst | 4.60% |
|---------------------------------|-------|

Note: The GIPS® compliant presentation can be found at the end of this presentation, including information on net returns. Past performance is no guarantee of future results.

All returns for periods greater than one year are annualized.

<sup>1</sup> Source: Wells Fargo Asset Management.

<sup>2</sup> This information is based on a representative account within the European Senior Secured Credit Composite. The representative account has been selected by meeting the following criteria: 1) the account is in the European Senior Secured Credit Composite, 2) Wells Fargo Asset Management represents that the holdings, characteristics and risk profile are representative of the strategy/style of the European Senior Secured Credit Composite. Any changes to the representative account must be approved by one of the Co-Heads of Portfolio Risk Management and Analytics. Source: WFAM Credit Europe, FIRE.

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## Ten largest countries<sup>3</sup>

|               | Portfolio weight % |
|---------------|--------------------|
| Great Britain | 21.90              |
| Germany       | 16.61              |
| Netherlands   | 10.33              |
| France        | 8.45               |
| Luxembourg    | 7.83               |

|               | Portfolio weight % |
|---------------|--------------------|
| United States | 7.69               |
| Spain         | 4.99               |
| Ireland       | 4.17               |
| Switzerland   | 3.31               |
| Finland       | 2.85               |

## Portfolio Management team

|                      | Position                              |
|----------------------|---------------------------------------|
| Ross A. Pamphilon    | WFAM Credit Europe CIO                |
| Jens Vanbrabant, CFA | Head of High Yield, Portfolio Manager |
| Henry Craik-White    | Portfolio Manager                     |
| Stéphane Fiévée      | Portfolio Manager                     |
| Chris Telfer         | Trader                                |

|                 | Position                    |
|-----------------|-----------------------------|
| Helen Roberts   | Senior Portfolio Specialist |
| Bruno Bamberger | Portfolio Specialist        |

## Global credit research platform

| Europe based            | Position                        |
|-------------------------|---------------------------------|
| Duncan Warwick-Champion | Co-Head, Global Credit Research |
| Brian Barry, CFA        | Research Analyst                |
| Paul Davey, CFA         | Research Analyst                |
| Cristiano Mela          | Research Analyst                |
| Robert Montague         | Research Analyst                |
| David Moon, CFA         | Research Analyst                |
| Michael Murphy          | Research Analyst                |
| Manola Perrone          | Research Analyst                |
| Michie Yana, CFA        | Research Analyst                |

| U.S. based          | Position                   |
|---------------------|----------------------------|
| Michael Mallardi    | Co-Director of HY Research |
| Henry Naah          | Co-Director of HY Research |
| Alex Basman, CFA    | Senior Research Analyst    |
| Marianne Beyer, CFA | Senior Research Analyst    |
| James Brown, CFA    | Senior Research Analyst    |
| Kevin Maas, CFA     | Senior Research Analyst    |
| Cheryl Ngo          | Senior Research Analyst    |

|                       | Position                |
|-----------------------|-------------------------|
| Oscar Olivas, CFA     | Senior Research Analyst |
| Steven Pfeiffer, CFA  | Senior Research Analyst |
| Maya Sarda            | Senior Research Analyst |
| Brian Keller, CFA     | Research Analyst        |
| Robert McHenry        | Research Analyst        |
| Patricia Calzado Real | Research Analyst        |

<sup>3</sup> This information is based on a representative account within the European Senior Secured Credit Composite. The representative account has been selected by meeting the following criteria: 1) the account is in the European Senior Secured Credit Composite, 2) Wells Fargo Asset Management represents that the holdings, characteristics and risk profile are representative of the strategy/style of the European Senior Secured Credit Composite. Any changes to the representative account must be approved by one of the Co-Heads of Portfolio Risk Management and Analytics. Source: FIRE.

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## GIPS® Compliant Presentation

| Period    | Gross Annual Return (%) | Net Annual Return (%) | Primary Index Return (%) | Composite 3 Yr Std Dev (%) | Primary Index 3 Yr Std Dev (%) | Internal Dispersion (%) | Number of Accounts | Composite Assets (€-mm) | Total Firm Assets (€-mm) |
|-----------|-------------------------|-----------------------|--------------------------|----------------------------|--------------------------------|-------------------------|--------------------|-------------------------|--------------------------|
| 2017      | 4.35                    | 3.73                  | 3.09                     | 1.97                       | 1.60                           | N.A.                    | 1                  | 274.43                  | 320,712                  |
| 2016      | 6.31                    | 5.67                  | 5.49                     | 2.03                       | 1.68                           | N.A.                    | 1                  | 313.67                  | 313,551                  |
| 2015      | 4.29                    | 3.67                  | 4.00                     | 1.48                       | 1.32                           | N.A.                    | 1                  | 318.25                  | 321,589                  |
| 2014      | 3.81                    | 3.13                  | 2.54                     | N.A.                       | N.A.                           | N.A.                    | 1                  | 222.80                  | N.A.                     |
| 2013      | 6.71                    | 6.03                  | 6.69                     | N.A.                       | N.A.                           | N.A.                    | 1                  | 128.46                  | N.A.                     |
| 2012 (IP) | 3.56                    | 3.33                  | 2.81                     | N.A.                       | N.A.                           | N.A.                    | 1                  | 71.44                   | N.A.                     |

IP = Returns are for the period from September 1, 2012 (Inception) through December 31, 2012.

Source: Wells Fargo Asset Management

Primary Index = Credit Suisse Institutional Western European Leveraged Loan B and Above Index (EUR)

1. Wells Fargo Asset Management (WFAM) (formerly named Wells Capital Management) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. WFAM has been independently verified for the periods from January 1, 1997 through December 31, 2017. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The European Senior Secured Credit Composite has been examined for the periods from January 1, 2015 through December 31, 2017. The verification and performance examination reports are available upon request.

2. For the purpose of complying with GIPS, the GIPS firm is defined as WFAM. Since the GIPS firm's creation in 1996, the firm has acquired a number of investment teams and/or assets through mergers or acquisitions which include assets and/or investment teams from Wells Capital Management, Norwest Investment Management Inc., Sutter Advisors, LLC, Montgomery Asset Management, Benson Associates, Strong Financial Corporation, Evergreen Investments, Wells Fargo Asset Management, LLC (International) (formerly named First International Advisors, LLC), Metropolitan West Capital Management, LLC, EverKey Global Partners, ECM Asset Management Limited, Analytic Investors, LLC and Golden Capital Management, LLC (GCM). Effective July 1, 2018, the GIPS firm also includes assets under management of Wells Fargo Asset Management Luxembourg S.A. and Wells Fargo Funds Management, LLC (WFFM).

3. The European Senior Secured Credit Composite (Composite) (formerly named the ECM Senior Secured Credit Composite) consists of all discretionary accounts managed in this style. The Credit Europe team joined WFAM at close of business December 31, 2014 and as such the "Total Firm Assets" are only applicable since the date of acquisition. Performance shown prior to January 1, 2015 represents results achieved by the Credit Europe team while associated with ECM Asset Management Limited. The Composite contains accounts investing primarily in sub investment grade corporate institutional loans and bonds with a focus on the senior secured part of the capital structure. The Composite aims to produce positive returns in all market environments through a flexible and unconstrained investment strategy. There is a strong emphasis on capital preservation by focusing on seniority and security and managing downside risk to provide investment returns over EURIBOR. Interest rate risk is hedged when necessary. Loans as an asset class is floating rate, thus providing protection in a rising rate environment. Currency risk is fully hedged. The strategy is permitted to borrow and to invest in derivatives, predominantly (but not limited to) swap transactions. Credit default swaps (CDS) may be used as a hedge on credit risk. The use of leverage and derivatives is considered to be a factor which alters the risk characteristics of the portfolios, and the returns from these transactions are material to the performance of the Composite. Further information about the use of leverage and derivatives is available upon request. Investment results are measured versus the Credit Suisse Institutional Western European Leveraged Loan B and Above Index (formerly named the Credit Suisse Institutional Western European Leveraged Loan Index). The Composite was created in 2013. The Composite inception date is September 1, 2012.

4. Composite returns are expressed in euros and are presented as both gross and net total return. Gross total return is the total return after the deduction of trading costs. Net total return is the total return after the deduction of trading costs, management and, where applicable, performance fees. For periods prior to January 1, 2015, net Composite returns are calculated using actual investment advisory fees. Beginning January 1, 2015, net Composite returns are calculated using a model investment advisory fee, based on the maximum annual institutional advisory fee paid by any account in the Composite during each respective performance period. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. WFAM's fee schedules are available upon request and may also be found in Part 2 of Form ADV. The published fee schedule for this strategy is 0.45% for the first €50mm, 0.40% for the next €50mm, 0.35% for the next €200mm, and 0.30% over €300mm. All returns are presented net of taxes payable when they are incurred in accordance with an agreement made with the Luxembourg tax authorities. Additional information regarding WFAM's policies for valuing accounts, calculating performance and preparing compliant presentations are available upon request.

5. Internal dispersion is the equal weighted standard deviation of the annual gross returns of all accounts included in the Composite for the entire year. For years where there are 5 or fewer accounts in the Composite for the entire year, dispersion is not presented as it is not a meaningful statistical calculation. The 3-year annualized standard deviation measures the variability of the gross Composite returns and the index returns over the preceding 36-month time period. The notation "N.A." (not available) will appear for periods, if any, where 36 monthly returns are not available for the Composite and/or the index.

6. Index returns are provided to represent the investment environment existing during the time periods shown and are not covered by the report of independent verifiers. The Credit Suisse Institutional Western European Leveraged Loan B and Above Index is designed to reflect the investment criteria of institutional loan investors by sampling a lower volatility component of the investable universe of the Western European leveraged loan market. The index excludes TLa facilities, facilities priced 90 or lower at the beginning of each measurement period and facilities rated CC, C or Default. For performance measurement, the index has been adjusted to exclude CCC rated facilities to align it with the B- minimum rating requirement of the Senior Secured Composite. Index returns are hedged to Euros. For comparison purposes, the index is fully invested, which includes the reinvestment of income. The returns for the index do not include any transaction costs, management fees or other costs.

7. Actual performance results may differ from Composite returns, depending on the size of the account, investment guidelines and/or restrictions, inception date and other factors. Performance for some accounts in this Composite may be calculated by third-parties that use different security pricing and performance methodologies. **Past performance is not indicative of future results.** As with any investment vehicle, there is always the potential for gains as well as the possibility of losses. For a complete list of WFAM composite descriptions, please see <https://wellsfargo.com/about-us/business-risk-compliance.jsp>.

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As of March 31, 2018, the ECM Asset Management team was renamed WFAM Credit Europe and the ECM Senior Secured Credit strategy was renamed the European Senior Secured Credit strategy. The philosophy and process of the team and strategy remain unchanged.

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 price can be sudden and unpredictable. Loans are subject to risks similar to those associated with other below-investment-grade bond investments, such as risk of greater volatility in value, credit risk (for example, risk of issuer default), and risk that the loan may become illiquid or difficult to price. The use of derivatives may reduce returns and/or increase volatility. Certain investment strategies tend to increase the total risk of an investment (relative to the broader market). This strategy is exposed to foreign investment risk, high-yield securities risk, and mortgage- and asset-backed securities risk. High-yield securities have a greater risk of default and tend to be more volatile than higher-rated debt securities. Consult the investments offering document, investment management agreement, and/or the adviser's Form ADV Part 2 for additional information on these and other risks.

Wells Fargo Asset Management (WFAM) is the trade name for certain investment advisory/management firms owned by Wells Fargo & Company. These firms include but are not limited to Wells Capital Management Incorporated and Wells Fargo Funds Management, LLC. Certain products managed by WFAM entities are distributed by Wells Fargo Funds Distributor, LLC (a broker/dealer and Member FINRA). WCM 318765 1218