Wells Fargo Money Market Funds

WELLS FARGO Asset Management

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PORTFOLIO MANAGER COMMENTARY

Overview, strategy, and outlook

As of December 31, 2020

The year in review

It's hard to believe, but the beginning of 2020 was relatively benign. In January, the Federal Reserve (Fed) was expected to keep engaging in Temporary and Permanent Open Market Operations through April in order to minimize volatility and maintain a stable rate environment, with yields generally bumping along at the bottom of its target range of 1.50% to 1.75%. The prime markets experienced a collapse in credit spreads, which began trading below benchmark London Interbank Offered Rate (LIBOR) rates, as well as a flattening of the yield curve, pricing in the possibility of Fed rate cuts late in the year. Benchmark 1-month LIBOR dropped from 1.76% to 1.66% during the month, while 1-year LIBOR fell from 1.99% to 1.80%. In February, we examined the state of the credit environment in the money markets, both as it pertained to relevant asset classes as well as regional differences. We noted that, in general, corporate and financial balance sheets were in good shape and economies were stable and prosperous. While in retrospect it does not seem adequate, we devoted a paragraph to the novel coronavirus and the "great deal of uncertainty about both the spread of the disease, its management, and the ultimate economic impact." In March, much of that uncertainty became manifest: with more than $204 billion flowing out of risk assets such as equity and bond funds and $160 billion redeemed from prime money market funds, the money market industry experienced the largest inflows ever seen in records dating back 28 years, with over $625 billion of new money flowing into those funds as individuals and businesses alike built liquidity to deal with the nascent pandemic. In response, the Fed not only slashed rates to the zero lower bound, they also unleased a veritable alphabet soup of programs designed to help dampen volatility and support smooth market functioning.

Money market inflows continued to be the story in April, with prime funds regaining more than half the assets that had left the previous month. Asset inflows started to moderate slightly in May, as money market funds hit an industry record of $5.12 trillion under management. In June's quarterly recap, we noted that the resulting supply and demand imbalance had resulted in yields and credit spreads in both the government and prime markets grinding tighter.

In late summer and early fall, investors gained clarity on the Fed's intentions going forward. At August's Jackson Hole summit, the Fed introduced the concept of Average Inflation Targets and made it official policy at its September meeting. The dot plots from the meeting also revealed committee members were anticipating rates would stay lower for longer, through the end of 2023. For the industry, outflows that began as a trickle in July were confirmed as a trend during the same period. Although in the absence of any stimulus or increased supply, yields ground ever tighter. Finally, rolling into November, the combination of funds defensively elevating liquidity targets in the face of uncertain election results, declining asset levels, and ongoing supply constraints drove yields ever lower.

Sector views

U.S. government sector

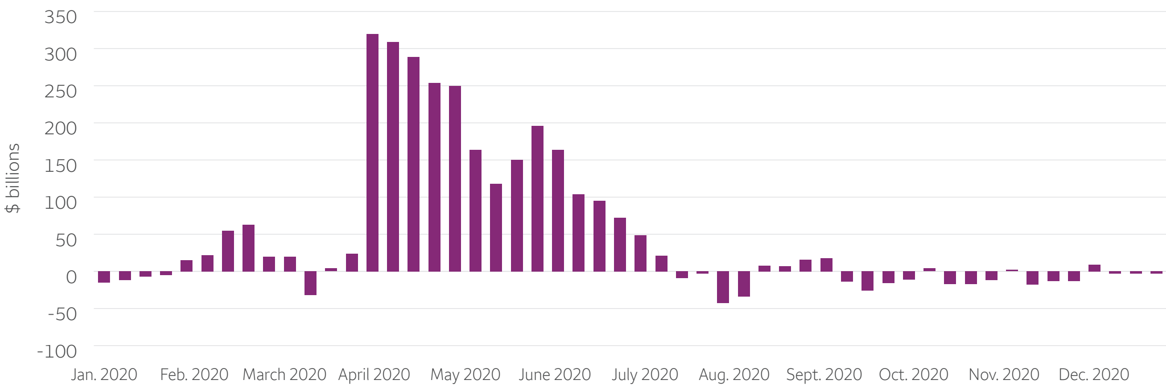
What a difference a year makes! The things we thought about as 2020 dawned are not on the radar screen as it closes. A year ago, the macro folks at the Fed had completed their mid-cycle adjustment by taking the bottom of the interest rate target range down from 2.25% to 1.50%, while the plumbers there were busy calibrating reserves to keep money market rates in the Fed's range, continuing an effort that began late in the prior year when a move higher in repo rates had revealed that reserves had stealthily moved from abundant to scarce. The Fed's success in taming the repo market through a combination of direct repo injections and Treasury bill (T-bill) purchases was already clear by then.

Fast forward one year and it's as if the money markets took a time machine back a decade, because society took one back a century to the last major global pandemic. The long and short of it is that short-term interest rates are back at zero, and because the Fed doesn't think that's accommodative enough, it's also buying Treasury and mortgage securities in a robust round of open-ended quantitative easing (QE). Because we're just nine months into this Zero Interest Rate Policy (ZIRP) episode and the previous one lasted seven years, investor enthusiasm is limited, with the bleak outlook perhaps mitigated by the lone bright spot that is the Fed's continued disdain for negative interest rates.

The pandemic's transformation of the money markets took the form of a series of supply and demand mismatches. In mid-March, just as the Fed cut rates to zero, supply stood still while demand raced ahead from two sources. First, investors rushed to the perceived safety of T-bills, both directly and by flooding into government money market funds. Over the course of the month, government and Treasury money market funds grew by $790 billion. Second, the Fed was furiously buying Treasuries and mortgage-backed securities to restore normal functioning in what had become erratic markets, and although it hadn't called it QE, the effect was the same: to grow the Fed's balance sheet, creating additional reserves. It was basically adding cash to the banking system. Reserves grew by $907 billion in March, followed by another $625 billion in April, for a total of over $1.5 trillion in just two months. For comparison, to get a sense of the scale and pace of the Fed's response, during QE3 in the previous decade, it took 19 months for reserves to grow $1.3 trillion. Demand was immense, but T-bill supply grew only $93 billion in March, and the result was that repo and T-bill rates fell to zero. Not "zero" having the meaning of "in the Fed's target range of 0.00% to 0.25%," but zero as in 0.00%, like Bluto's grade point average. At times, the overwhelming demand for T-bills even briefly caused them to trade at negative yields in the market.

The signing of the CARES Act on March 27 heralded additional supply, and the second quarter saw a reversal of the supply/demand imbalance that had pummeled rates in March. Among other things, the law provided for the first helicopter drop of cash in U.S. history, and the Treasury was poised to spend as though it had been locked in an apartment for a year. The Treasury suddenly needed to raise a lot of money. It did so in the T-bill market, where net supply grew by $1,344 billion in April alone, followed by $628 billion in May and $450 billion in June, for a second-quarter total of over $2.4 trillion. In the land of the giants, where the money markets roam, all the numbers are big and it's hard to grasp their significance without a comparison, as shown below. In this case, consider that total T-bills outstanding at the end of February were just under $2.6 trillion, so the market very nearly doubled in size in the second quarter.

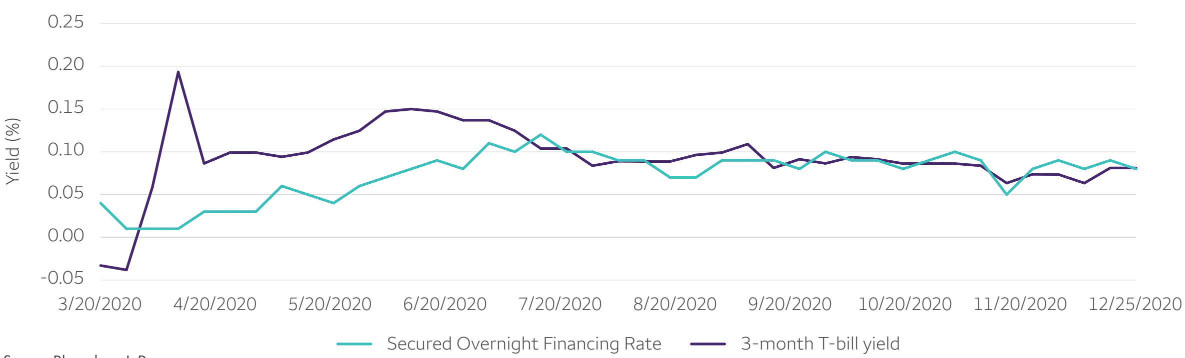
Weekly net new T-bill issuance, as of 12/25/2020



Source: U.S. Treasury

Government money market funds continued to grow, but at a much slower rate, adding $363 billion in April before peaking a touch higher in May. As the market began to grasp the scale of the T-bills headed its way, T-bill rates moved higher in mid-April, trading in the 0.10%–0.15% range throughout the second quarter, as shown in the chart below. With the caveat that nothing is really "good" in a year that saw a catastrophic decline in yields, the second quarter was as good as it got in the COVID-19 part of the year for investors, with historic supply temporarily outpacing demand.

Government yields



Source: Bloomberg L.P.

Since T-bill supply leveled off in mid-July and began to gradually fall, the market has been roughly balanced, with demand steadily but quietly gaining the upper hand. T-bill yields have slipped to under 0.10%, establishing a new range between 0.05% and 0.10%.

One curiosity of the whole roller-coaster ride of a year has been the Treasury's anticipatory funding of its future needs, the resolution of which stands to play a significant role in 2021's adventure. The oddity is that the Treasury raised around $1 trillion more than it needed, perhaps in anticipation of a further round of COVID-19 relief, which in fairness seemed imminent every day throughout the summer. Pre-pandemic, the Treasury had carried a balance in its Treasury General Account (TGA) of about $400 billion. The proceeds of all those T-bill sales pushed the balance up to $1.8 trillion in July, and it remained near $1.6 trillion at the end of the year. One way or another, that's coming down in 2021, and it may not be pretty for the money markets when it does. As for how it declines, spending on the second round of COVID-19 relief will likely take a big bite out of the TGA, as will the usual deficit spending (it's the American way). Reductions in T-bills should also contribute. However some of those factors ultimately play out, the T-bill supply picture should be dim nonetheless, as the Treasury's understandable desire to term out its debt will shift its borrowing load into longer-dated issuance, with T-bills bearing the brunt of the load.

The difficulty for money market investors stems from the fact that the Treasury banks at the Fed. Every dollar the Treasury keeps in the TGA at the Fed is a dollar that's not in the Fed's reserves. As money moves from the TGA into the helicopters' cargo bays and then onto people's lawns, it gets added to reserves kept at the Fed. A higher level of reserves—that is, more cash in the system—increases demand for short-term investments. This time around, not only will there not be a big increase in T-bill supply to act as an offset, it may contract. This is not a recipe for higher yields. However, if and when things look particularly bleak, the Fed has demonstrated both the willingness and ability to nudge rates higher or lower in its range if it feels they have strayed too close to a boundary, like an invisible dog fence. Over the past few years, when rates got within 5 basis points (bps)[1] of either the upper or lower end of its target range, the Fed made a technical adjustment by moving either its Reverse Repo Rate (RRP) or rate of Interest on Excess Reserves, or both. They are currently set at 0.00% and 0.10%, respectively, and they help constrain rates by offering a safe landing spot for excess cash. The RRP, in particular, has proved an effective floor for rates, as an investor is not likely to place money elsewhere at lower rates.

In the past, the Fed really only cared about where the Effective Federal Funds Rate, its official target rate, sat in the target range. Where other instruments traded was less of a concern. Now, like the neighbor kid who spent all his time at their house growing up, the Secured Overnight Financing Rate's (SOFR's) well-being matters to the Fed as well, as it demonstrated late in 2019 when it took steps to restrain an unruly repo market. Potentially facing the opposite problem, if the SOFR moves uncomfortably close to zero, the Fed will likely notice and care, nudging up its aforementioned administered rates.

While this outlook may seem admittedly discouraging, one potential bright spot for the medium term is that this entire economic contraction and recovery have taken place at fast-forward. The recession was exceptionally deep but also very quick, and the recovery to date has also been much quicker than expected, with risk assets buoyant. If a vaccine proves effective and people emerge and spend, the recovery could quicken, and it's possible this ZIRP episode won't last seven years.

Prime sector

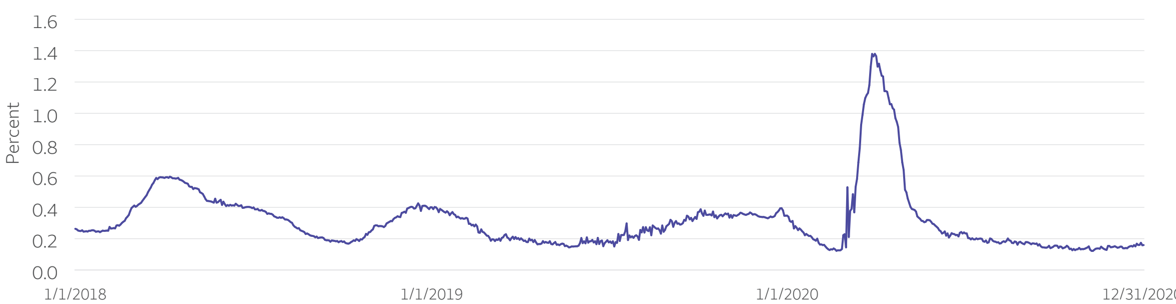
For prime assets, the annual summary really starts in March; January and February of 2020 were of a different era. In January, the Federal Open Market Committee (FOMC) was solidly on hold at a target rate range of 1.50% to 1.75%. Risk assets were also performing well as LIBOR-OIS spreads tightened from 39 bps at the end of 2019 to 13 bps in February. As you may recall, the LIBOR-OIS spread is the difference between the LIBOR and the Overnight Index Swap (OIS) rate. It represents the difference between an interest rate with some credit risk built in (LIBOR) and one that is relatively risk free (OIS) over a certain period and reflects not only credit risk but also term premia.

An oil shock at the beginning of March followed by concerns over global growth as a result of the pandemic made for a stressed market. In times of uncertainty and market stress, the demand for liquidity increased across all asset classes as investors adjusted to a rapidly evolving risk event—in this case, COVID-19. The first course of action by the FOMC was to lower its target rate to 0.00% to 0.25% to provide monetary support for stressed markets. However, as bank balance sheets have benefited from recent regulation focusing on capital requirements and leverage ratios, these same regulations have hampered their ability to provide intermediation in markets—specifically to make markets in securities—and so they have proven to be somewhat limiting to provide broad-based market liquidity. The Fed recognized this quickly and thus swiftly implemented a slew of programs to deal with the liquidity crisis by dusting off its playbook from the global financial crisis. The collective goal for each of the programs was to support the credit needs of American households and businesses and to restart the flow of capital through improved functionality of all capital markets. The programs were targeted to provide stability to not only money markets but also investment-grade, speculative-grade, mortgage, and municipal markets and exchange-traded funds, as well as directly to corporations as issuers in those markets.

For prime money market funds, the most important of the programs was the Money Market Mutual Fund Liquidity Facility (MMLF). The basic mechanism for risk transfer happened as the Federal Reserve Bank of Boston made loans available to eligible financial institutions (banks) secured by high-quality assets purchased by the financial institution from money market funds. It was particularly effective in providing liquidity support for money market funds, as the banks participating in the MMLF are exempt from risked-based capital and leverage requirements. This exemption allows for banks to intermediate the flow of credit and support market prices and liquidity without penalty. As a result, prices in money market securities stabilized and market liquidity quickly improved. With credit fundamentals during this period remaining quite stable, as opposed to the 2008–2009 experience, the focus this time was on improving market liquidity and supporting economic growth.

The MMLF was so effective that assets moved back into the prime space following March's dislocations. Prime assets, as reported by Crane Data, increased by June to a post-reform record of $1.1 trillion and remained remarkably stable throughout the second half of the year. Increasing assets and stability in the markets led to dramatically decreasing credit spreads. LIBOR-OIS spiked to a high of 1.38% at the end of March and slowly narrowed to the mid-teens by year-end as liquidity needs eased and credit fundamentals remained favorable.

LIBOR-OIS spread



Source: Bloomberg L.P.

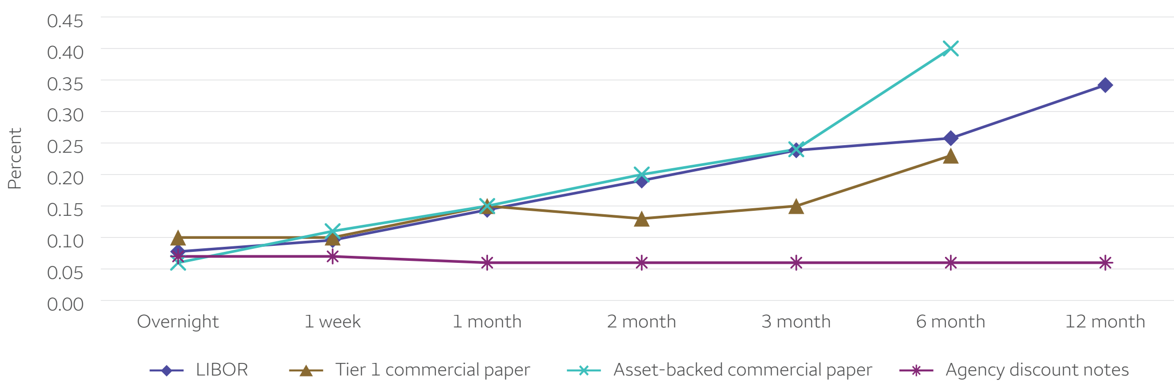
As the spike in volatility across most asset classes ebbed and risk asset prices soared, market participants focused on fiscal and monetary responses to the pandemic to support economic growth. Fiscal response started out strong with the CARES Act to provide widespread relief. However, the election and usual legislative stalemates caused the hope of more fiscal response to dim and uncertainty to increase. At the end of 2020, a slimmed-down fiscal stimulus bill was passed by Congress to extend unemployment benefits and provide relief to small businesses. Monetary policy, on the other hand, has been remarkably stable. The FOMC has remained accommodative and has kept a consistent message throughout the pandemic:

> "... to maintain this target range until it is confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals."

The FOMC announced at its annual Jackson Hole policy symposium in August that it would seek inflation that averages 2% ***over time***, thus allowing for inflation to run higher than 2% after a period of weakness. At the conclusion of the September 16 FOMC meeting, it left interest rates unchanged (0.00% to 0.25%) and once again noted its expectation to maintain an accommodative stance until inflation averages 2% over time, with longer-term inflation expectations well anchored at 2%, and until employment reaches its maximum level. The Fed repeated that it would use its full range of tools to support the economic recovery and would continue its buying program of Treasury and mortgage-backed securities, but it cautioned “the path of the economy will depend significantly on the course of the virus.”

As the FOMC is clearly in an accommodative monetary policy mode for the foreseeable future, money market yield curves continue to flatten. The lack of a stimulus package this fall and a slimmed-down stimulus package in December have resulted in muted T-bills and plummeting government yields. Credit metrics in the prime space, too, continue to be well supported by the liquidity injected into the economy and regulatory relief by the Fed. Bank capital requirements are stable, and liquidity and interest coverage ratios remain favorable. The combination of solid market liquidity, well-supported credit metrics, and lower government yields have induced managers to broaden the search for yield, causing prime yields to compress as well.

Money market yield curves, as of 12/31/2020

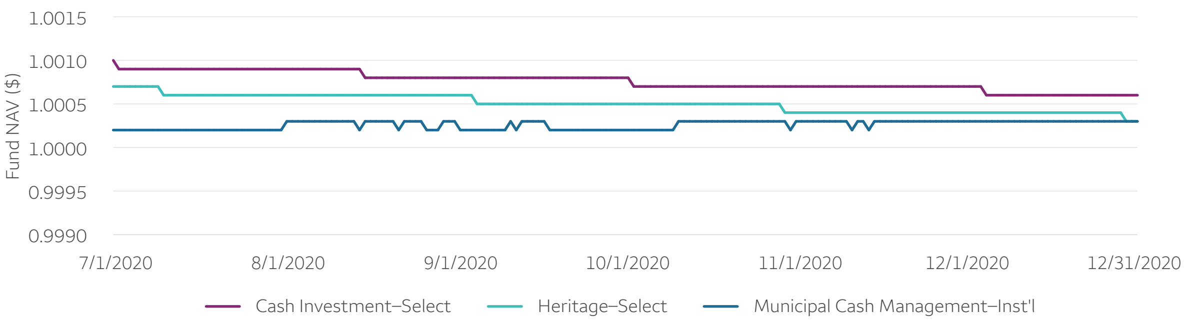


Sources: Bloomberg L.P. and Wells Fargo Asset Management

At the same time, long-term investment-grade debt issuance maintains its record pace, meaning the need to issue short-term debt has decreased, causing a supply dynamic that promotes a flatter curve. In addition to yields flattening, credit spreads in the money market space have narrowed in the face of strong demand.

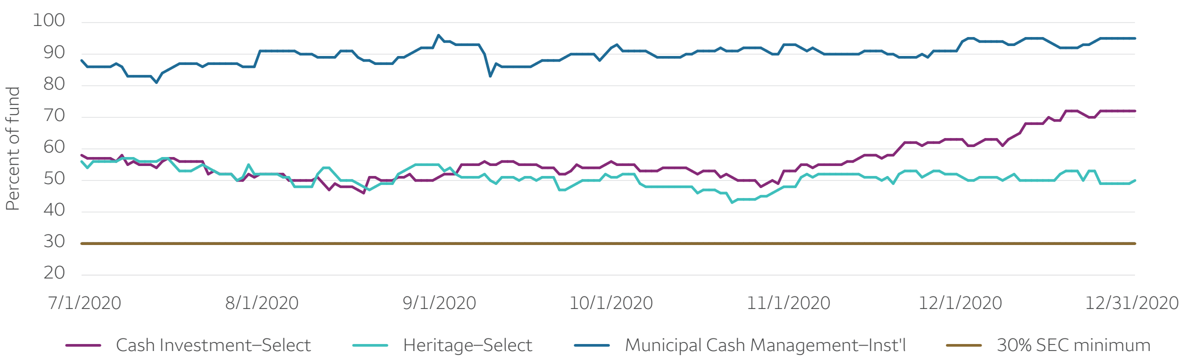
As always, we tend to take a conservative approach when constructing our portfolios and favor keeping excess liquidity over the stated regulatory requirements, running shorter weighted average maturities and looking to extend if the opportunity offers a favorable risk/reward proposition. This additional liquidity buffer enhances our ability to meet the liquidity needs of our investors and helps stabilize net asset value (NAV) volatility while still allowing us to opportunistically add securities to lock in higher yields.

Wells Fargo floating net asset value (FNAV) money market fund NAVs



Source: Wells Fargo Funds

Wells Fargo FNAV money market fund weekly liquid assets



Source: Wells Fargo Funds

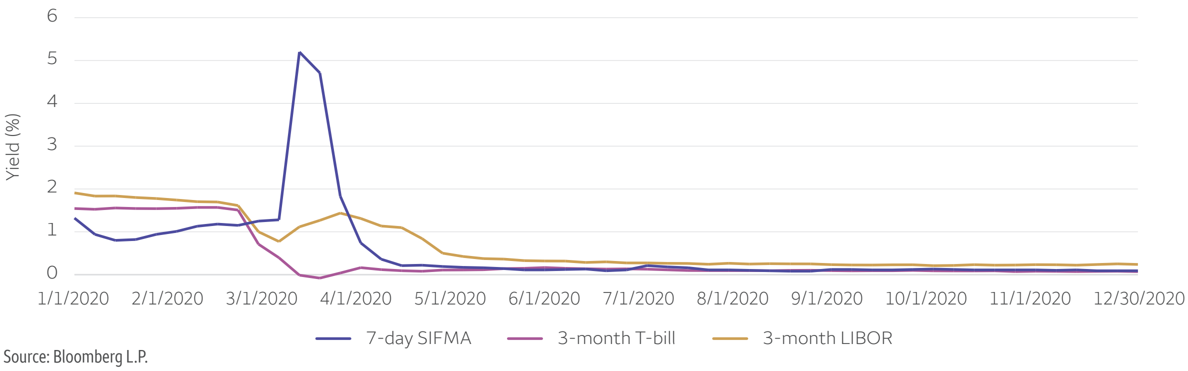
Municipal sector

The dominating story of the year clearly was COVID-19, and the ensuing economic and health crises were global in reach and devastating in depth. The municipal money market sector experienced its fair share of volatility as broader markets gyrated in response to rapidly evolving medical and economic policy protocols. Through it all, the municipal market once again demonstrated its resiliency and its ability to navigate challenging economic scenarios.

The municipal money market space began the year on a relatively stable basis with generally positive macroeconomic conditions and financial markets on solid footing. The Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index[2] began the year at 1.32%, or 83% of 1-week LIBOR, but began to quickly grind lower as seasonal cash inflows reinvigorated demand for overnight and weekly variable-rate demand notes (VRDNs)[3] and tender option bonds (TOBs).[4] Yields on high-grade paper in the one-year space began the year at roughly 1.14% but drifted lower as the quarter progressed. But, this was the calm before the storm.

The tranquility in the markets came to an abrupt end as the realization of the seriousness of the pandemic began to roil the financial markets during March. As the month progressed, the financial markets experienced severe bouts of stress with equity and bond markets selling off sharply, while prime and municipal money market funds contended with elevated levels of redemptions. In the municipal money market space, the SIFMA Index would eventually end up spiking to a multi-year high of 5.20% as money market and bond funds sold VRDNs and TOBs to meet redemption requests. Further out on the curve, yields on high-grade one-year paper rose from 0.94% at the end of February to 2.15% by mid-March.

Money market yields



Source: Bloomberg L.P.

With the prospect of devastating economic losses as a result of travel restrictions and mandatory lockdowns becoming a reality, legislators and policymakers were forced to act boldly to provide support to both Main Street and Wall Street. The municipal space was supported significantly by three important programs: the CARES Act, the MMLF, and the Municipal Liquidity Facility. Combined, these programs provided much needed financial support to hard-hit state and local governments, as well as essential municipal sectors such as transportation and health care.

The CARES Act consisted of a $2.2 trillion economic stimulus package that, among other things, included $175 billion in COVID-19-related aid to hospitals and $150 billion in aid to state and local governments. The MMLF was established and eventually broadened to include municipal money market funds as well as certain high-grade short-term municipal securities to be used as collateral for loans to fund providers to meet investor redemptions. Finally, the Municipal Liquidity Facility was designed to help state and local governments manage short-term cash flow pressures by authorizing the Fed to directly purchase up to $500 billion of short-term notes from eligible municipal issuers.

As a result of the stabilization produced by the overwhelming policy response, the SIFMA Index rapidly normalized over the following weeks, falling to 0.22% by the end of April. Similarly, yields on high-grade paper in the one-year space were cut in half, falling to 0.80%. As the year progressed, rates in the municipal money market space would continue to compress with the SIFMA Index closing out the year at 0.09%. One-year paper would finish out the year at 0.22%.

While the second half of the year was thankfully much calmer, the money market space would once again be forced to contend with low absolute levels on benchmarks due to the Fed's reinstatement of the ZIRP. Yields on tax-exempt paper continued to grind lower despite consistent outflows from municipal money market funds. Demand for high-quality short-term municipals remained strong as municipal bond funds and crossover investors remained active in the space. According to Crane Data, municipal money market funds experienced roughly $30 billion in outflows throughout the year, falling to $113 billion in total assets. With absolute levels on money market funds falling to next to zero, investors increasingly extended investment horizons in order to generate investment income.

As always, we continued to emphasize portfolio liquidity by targeting our purchases predominantly in daily and weekly VRDNs and TOBs throughout the year. This strategy is designed with the goal that we maintain high degrees of weekly liquidity while insulating fund NAVs during times of volatility. Accordingly, our funds were well positioned to navigate the market disruptions in March. Our high degrees of liquidity allowed us to comfortably handle investor cash flows while capitalizing on elevated rates during the most stressful market conditions. As market conditions stabilized, we opportunistically added exposure to fixed-rate paper and prudently extended portfolio weighted average maturities to take advantage of elevated levels of supply in the municipal commercial paper and note markets.

On the horizon

As this is being written, we've reached the one-year anniversary of the World Health Organization picking up a media statement from Wuhan reporting a cluster of cases of viral pneumonia. At the time, virtually no one could have predicted how completely this previously unknown virus would come to dominate the way we live, work, interact, and communicate and that a whole new lexicon would emerge to facilitate life in this era. Given the devastation wrought by the pandemic, it's no wonder that the turn of the calendar has been so enthusiastically embraced this year and imbued with a sense of new resolution. As we enter 2021, the rollout of at least two vaccines seems to hold the promise that an end to this pandemic is in sight.

Until that happens, at the very least the Fed will likely remain diligent in ensuring there is ample liquidity to support and facilitate the smooth functioning of our economy and markets. Although the outcome of the Georgia Senate races are unknown at the time of this writing, leaving control of the Senate in limbo, pollsters predict the Democrats have a slight edge. Should the Senate fall under Democratic control, the incoming Biden administration will have a stronger hand to play in pursuing larger stimulus packages and tax and regulatory reforms. In general, financial markets today seem to like the idea of a divided government and a limited Democratic agenda, so we may experience some volatility if this outcome does not come to pass.

And finally, while 2020 will be fading in the rearview mirror, the effects of the pandemic-related dislocation will likely live on in 2021. As regulators and industry groups completed their year-end assessments, the calls for further money market fund reforms also increased. We will look for that effort to pick up steam as we progress through the new year.

Rates for sample investment instruments—current month-end % (December 2020)

Sector	1 day	1 week	1 month	2 month	3 month	6 month	12 month
U.S. Treasury repos	0.06	0.07	–	–	–	–	–
Fed reverse repo rate	0.00	–	–	–	–	–	–
U.S. Treasury bills	–	–	0.04	0.05	0.07	0.08	0.10
Agency discount notes	0.07	0.07	0.06	0.06	0.06	0.06	0.06
LIBOR	0.08	0.10	0.14	0.19	0.24	0.26	0.34
Asset-backed commercial paper	0.06	0.11	0.15	0.20	0.24	0.40	–
Dealer commercial paper	0.10	0.10	0.15	0.13	0.15	0.23	–
Municipals	0.11	0.09	0.09	0.10	0.10	0.12	0.22

Sources: Bloomberg L.P. and Wells Capital Management Inc.
Past performance is no guarantee of future results.

Wells Fargo Fund	7-day current yield
Cash Investment MMF*–Select	0.08%
Heritage MMF*–Select	0.11%
Municipal Cash Management MMF*–Inst'l	0.01%
Government MMF**–Select	0.03%
Treasury Plus MMF**–Select	0.01%
100% Treasury MMF**–Inst'l	0.01%

Source: Wells Fargo Funds

Figures quoted represent past performance, which is no guarantee of future results, and do not reflect taxes that a shareholder may pay on an investment in a fund. *Yields will fluctuate. Current performance may be lower or higher than the performance data quoted and assumes the reinvestment of dividends and capital gains. Current month-end performance is available at the funds' website, wfam.com.*

Money market funds are sold without a front-end sales charge or contingent deferred sales charge. Other fees and expenses apply to an investment in the fund and are described in the fund's current prospectus.

The manager has contractually committed to certain fee waivers and/or expense reimbursement through May 31, 2021, to cap the funds' total annual fund operating expenses after fee waivers. Brokerage commissions, stamp duty fees, interest, taxes, acquired fund fees and expenses (if any), and extraordinary expenses are excluded from the expense cap. The manager may also voluntarily waive or reimburse additional fees and expenses, and such voluntary waivers may be discontinued or modified at any time without notice. Without these reductions, the seven-day current yield for the Institutional Class of the Cash Investment Money Market Fund, Heritage Money Market Fund, Municipal Cash Management Money Market Fund, Government Money Market Fund, Treasury Plus Money Market Fund, and 100% Treasury Money Market Fund would have been -0.05%, 0.00%, -0.18%, -0.06%, -0.08%, and -0.09%, respectively, and the total returns would have been lower. Prior to or after the commitment expiration date, the cap may be increased or the commitment to maintain the cap may be terminated only with the approval of the Board of Trustees. The expense ratio paid by an investor is the net expense ratio (the total annual fund operating expenses after fee waivers) as stated in the prospectus.

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If you're an institutional investor, when you visit the website, click on your location and select your role on the welcome screen as "Institutional Cash Investor."

1. 100 bps equal 1.00%.

2. The Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index is a seven-day high-grade market index composed of tax-exempt variable-rate demand obligations with certain characteristics. The index is calculated and published by Bloomberg. The index is overseen by SIFMA's Municipal Swap Index Committee. You cannot invest directly in an index.

3. Variable-rate demand notes (VRDNs) are debt securities commonly held within the Wells Fargo Money Market Funds. Like all bonds, VRDN 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. In general, when interest rates rise, bond values fall and investors may lose principal value. Interest rate changes can be sudden and unpredictable. In addition to credit and interest rate risk, VRDNs are subject to municipal securities risk.

4. A tender option bond (TOB) is a type of VRDN where a long-term bond is placed into a trust. Floating-rate securities are created from the trust.

**For floating NAV money market funds: You could lose money by investing in the fund. Because the share price of the fund will fluctuate, when you sell your shares they may be worth more or less than what you originally paid for them. The fund may impose a fee upon sale of your shares or may temporarily suspend your ability to sell shares if the fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.*

For retail money market funds: You could lose money by investing in the fund. Although the fund seeks to preserve the value of your investment at $1.00 per share, it cannot guarantee it will do so. The fund may impose a fee upon sale of your shares or may temporarily suspend your ability to sell shares if the fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.

***For government money market funds: You could lose money by investing in the fund. Although the fund seeks to preserve the value of your investment at $1.00 per share, it cannot guarantee it will do so. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.*

For the municipal money market funds, a portion of the fund's income may be subject to federal, state, and/or local income taxes or the alternative minimum tax. Any capital gains distributions may be taxable. For the government money market funds, the U.S. government guarantee applies to certain underlying securities and not to shares of the fund.

The views expressed and any forward-looking statements are as of December 31, 2020, and are those of the fund managers and the Money Market team at Wells Capital Management, subadvisor to the Wells Fargo Money Market Funds, and Wells Fargo Funds Management, LLC. Discussions of individual securities or the markets generally are not intended as individual recommendations. Future events or results may vary significantly from those expressed in any forward-looking statements. The views expressed are subject to change at any time in response to changing circumstances in the market. Wells Fargo Asset Management disclaims any obligation to publicly update or revise any views expressed or forward-looking statements.

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

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