Wells Capital Management Incorporated ("WellsCap") is not a MiFID entity; however, it is obligated by contract to manage certain client accounts in accordance with MiFID II regulations (the “MiFID accounts”). Accordingly, WellsCap is posting this qualitative data to support the RTS 28 and Article 65(6) requirements solely as they relate to the MiFID accounts. This data does not apply to any of WellsCap’s other managed accounts. MiFID II regulations require investment firms to publish for each class of financial instrument, a summary of the analysis and conclusions they draw from their detailed monitoring of the quality of execution obtained on the execution venues where they executed all client orders in the previous year. This qualitative report is intended to provide detailed analysis of the execution strategies and tools used by WellsCap to assess the quality of execution obtained on venues and from brokers to assist clients in assessing the WellsCap’s execution practices.

Execution Factors
WellsCap takes all sufficient steps to obtain the best possible result for our clients taking into account a range of factors, including but not limited to:

- price
- costs (implicit and explicit), including broker commission rates where applicable
- timing and speed of execution
- likelihood of, and capabilities in, execution, clearance and settlement
- size of the transaction relative to others in the same or similar financial instrument
- ability to retain anonymity in the market or prevent information leakage, in order to minimize possible market impact
- access to liquidity/natural order flow
- a counterparty’s willingness to commit capital to our transactions
- characteristics of the Trading Venue(s) to which an order can be directed
- financial status and responsibility of a counterparty or broker
- other appropriate factors, such as client mandate constraints
The relative importance of each of these factors within our order execution process will vary depending on a number of criteria, including:

- the nature of the order and rationale for the transaction (e.g. fund subscription/redemption; change in portfolio manager or analyst view),
- the characteristics of the financial instruments to which the order relates, and
- the characteristics of the available venues and brokers which can be used or to which client orders can be directed.

Another relevant factor is counterparty risk, particularly where financial instruments are not centrally cleared or settled by delivery versus payment. WellsCap’s credit risk assessment of counterparties may have an impact on selection of the counterparty for each trade. Ordinarily price and costs together will merit high relative importance in obtaining ‘best execution’. This may be tempered, for example, where the size of the trade is large compared to the liquidity of the instrument in question, or where speed of execution becomes important due to market conditions; the execution venue may then play a more important role.

Close Links/Conflicts of Interest

As a general policy, WellsCap does not trade with any affiliates and, therefore, does not have any close links, conflicts of interest, or common ownership with respect to any execution venues used to execute orders. WellsCap offers only investment services. It does not provide or get compensated for any broker-dealer or investment banking functions.

Specific Arrangements with Execution Venues

WellsCap does not have any specific arrangements concerning rebates or non-monetary benefits with any execution venue. Prior to the effective date of MiFID II regulations, certain fixed income accounts may have received research on a bundled basis from brokers. Effective 1/3/18, all MiFID accounts will have research priced separately from execution and paid 100% from the firm’s P&L account.
Changes to Execution Venues
This is the first report and, therefore, there are no changes to note in the list of execution venues listed in the Wells Fargo Asset Management Order Execution Policy as posted.

Client Categorization
None of the MiFID II accounts managed by WellsCap is a retail account. WellsCap provides investment management services to mutual funds and other investment vehicles, institutional portfolios for endowments, foundations, healthcare organizations, educational organizations, public agencies, multi-employer plans, sovereign organizations, insurance companies, and Taft-Hartley plans. The Firm does not undertake investment business with individual retail clients, and does not give preference to any client over another with respect to trading practices.

Data/Tools Relating to Quality of Execution
The Firm’s investment teams review transaction data and utilise various analytic tools to evaluate best execution, including information provided by venues and brokers and internal transaction cost analyses. The data and tools available vary depending on the particular asset class. Execution data is assessed by the Firm’s investment teams, compliance group and specialised committees that govern best execution.

Consolidated Tape Provider
Article 3(3) (g) and (h) require firms to state the use that they have made of RTS 27 reports, produced quarterly by execution venues, and the output of consolidated tape providers. As neither of these are currently available for publication, WellsCap is not required to provide this information in the first set of reports.
Bonds – Best Execution Commentary

In achieving best execution, our investment team uses three primary methods. First, we utilize bids/offers wanted in competition. Typically, this process is utilized on an electronic platform (Market Axess) but can also be done via phone/Bloomberg. The competition process is very straightforward, receiving multiple bids/offers for the specified size of the trade. When we trade directly with a counterparty, we use our relative value analysis, current market trading levels and market expertise to achieve best execution. Liquidity, as well as price, can also be a very important input to achieving best execution while managing portfolio risk and performance. The third way we achieve best execution is through the new issue process. New issues price on the bid side of the market and can offer investors opportunities to gain desired credit exposure at attractive prices.

Short Duration Bond – Best Execution Commentary

The Short Duration Fixed Income team achieves best execution by utilizing trading expertise situationally. In secondary trading and where appropriate, we use electronic trading platforms to access between 5 and 50+ dealers in situations where we deem the investment to be highly liquid and the pricing to be transparent. In other situations, we use our security by security knowledge to engage a more limited number of dealers, most typically in competitive situations, over the phone and execute only when we deem pricing to be best based upon relative value, liquidity, and market-based factors. In primary trading, we purchase bonds when new supply initially comes to market directly from syndicate book runners, usually with bid-side execution or at new issue concessions.

Equity - Best Execution Commentary

WellsCap utilizes the services of an independent third party for best execution measurement and analysis on equity and foreign exchange transactions. In quantitatively evaluating our
trading effectiveness, we recognize that transaction cost analysis (TCA) is an imperfect science and there is no single measure that can consistently capture the effectiveness of our trading approach. For this reason, we approach our equity trade analysis by holistically looking at a universe of trades through the following metrics:

- **Explicit cost – Actual commissions paid**
  - Measured by the average basis point (bps) commission per share

- **Implicit cost – Estimated market impact of trade**
  - **Arrival price** – captures the absolute slippage of a trade by comparing the execution price to the price of the security when a trade was initiated
  - **Arrival price vs pre-trade cost estimate** – uses a pre-trade cost estimate model to compare the projected market impact cost with our actual cost of execution on a trade
  - **Interval VWAP** – compares our execution price to the volume weighted average price in the market during the interval of a trade

We evaluate our trades by looking at the trade performance vs these measures directly as well as in where they fall within a peer group universe. The peer group approach compares a given subset of trades to other “like orders” contained within their peer group universe. These “like orders” are selected based on having similar characteristics as measured by things such as capitalization, liquidity, momentum, volatility, and region.

WellsCap’s equity MiFID accounts posted favorable best execution metrics across all of the above measures.