

# Wells Fargo Small Company Growth Fund

## GENERAL FUND INFORMATION

**Ticker:** WSCGX

**Portfolio managers:** Paul E. von Kuster, CFA®; Daniel J. Hagen, CFA®; William A. Grierson, CFA®; Ryan H. Smith, CFA®; and Samuel D. Smith, CFA®

**Subadvisor:** Peregrine Capital Management LLC

**Category:** Small growth

## FUND STRATEGY

- Focuses on small, rapidly growing, and misunderstood companies that have the potential for dramatic price appreciation
- Conducts rigorous fundamental research to target companies in discovery and rediscovery phases of development
- Focuses on younger companies in the discovery phase that have long-term earnings growth of more than 20%, high profitability, and unique products or services
- Looks for rediscovery-phase companies that have new management, near-term earnings growth of greater than 40%, recovering profitability, and takeover/restructuring potential

## Quarterly review

- The fund generated a total return of 5.23% for the quarter, outperforming the 4.88% return of the Russell 2000 Growth Index.
- For the three-month period, industrials, financials, and consumer staples were the largest contributors to performance.
- Information technology (IT), health care, and consumer discretionary were the largest detractors from performance in the quarter.

## Market review

- During 2021 so far, markets have continued to be forward looking, but the path thus far has been anything but a straight line. In January, markets exhibited striking factor similarities to 2020, characterized by both very high return concentration in large-cap technology names and market preference for high-valuation and nonearning companies. This culminated into what retrospectively could be considered a blow-off top in early February, most notably seen in “meme stocks,” like GameStop Corp., which, due to viral social media, rose at an exponential rate that was divorced from all fundamentals. This top coincided with a relative bottoming in interest rates on government debt, and interest rates have steadily risen since. This transition meaningfully catalyzed a shift in market dynamics. A broader rotation out of highly valued companies into more cyclically levered areas of the market drove strong returns in smaller and more value-centric sectors. Some of this could be categorized as “reopening trades,” which have risen on growing vaccine deployment and improved readings in broader economic figures. As these data have continued to strengthen year to date, rates on government debt have increased meaningfully, with the 10-year Treasury yield up over 90% in the first quarter. Record levels of government stimulus coupled with talk of an additional \$2 trillion infrastructure plan could supercharge an already organically recovering economy.

### Average annual total returns (%) as of 3/31/2021\*

	3 month	Year to date	1 year	3 year	5 year	10 year	Since fund inception (12/31/82)
Small Company Growth Fund-Inst	5.23	5.23	87.89	16.41	17.97	12.77	12.23
Russell 2000® Growth Index	4.88	4.88	90.20	17.16	18.61	13.02	—

\*Returns for periods less than one year are not annualized.

**Figures quoted represent past performance, which is no guarantee of future results, and do not reflect taxes a shareholder may pay on an investment in a fund.** Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. 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 fund's website, [wfam.com](http://wfam.com). Institutional Class shares are sold without a front-end sales charge or contingent deferred sales charge.

The fund's gross expense ratio is 1.00%. The fund's net expense ratio is 0.94%. The manager has contractually committed, through September 30, 2021, to waive fees and/or reimburse expenses to the extent necessary to cap the fund's total annual fund operating expenses after fee waivers at 0.94% for the Institutional Class. Brokerage commissions, stamp duty fees, interest, taxes, acquired fund fees and expenses (if any) from funds in which the underlying affiliated master portfolios and funds invest and from money market funds, and extraordinary expenses are excluded from the expense cap. All other acquired fund fees and expenses from the affiliated master portfolios and funds are included in the expense cap. 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. Without this cap, the fund's returns would have been lower. 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.

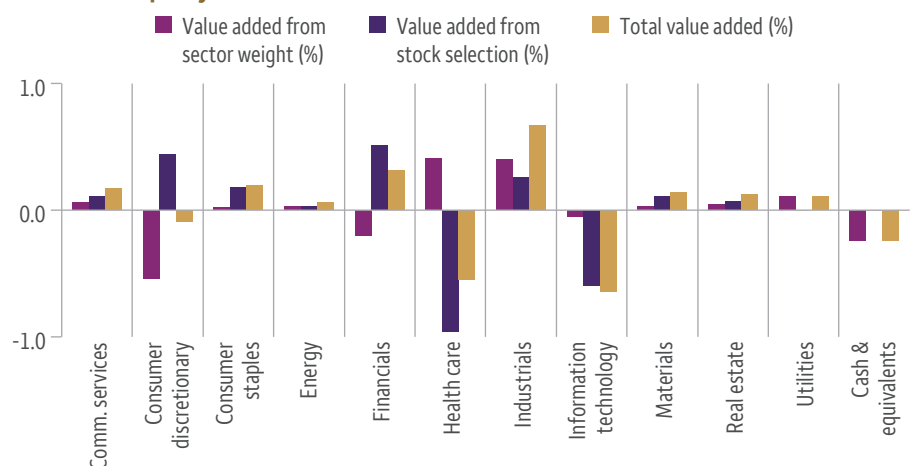
# Wells Fargo Small Company Growth Fund

## Portfolio positioning

### Quarterly attribution and analysis

- The fund outperformed the Russell 2000 Growth Index in the quarter. Despite meaningful headwinds early in the quarter, the fund's adherence to its valuation-sensitive approach paid off and our overweight to the most attractively valued areas of the market was a positive.
- The industrials sector was the leading contributor to returns as more cyclical areas of the sector benefited from improved economic visibility. Generac Holdings Inc., which is the leading supplier of residential backup power generators, was a significant contributor to performance in the period. Interest in the company's products has increased significantly as people work and spend more time in their homes. This trend has driven strong revenue and backlog growth with demand for its products at the highest level in the company's history.
- The financials sector was also a positive contributor to performance in the quarter, driven by the fund's bank and capital market holdings.
- The IT sector was the primary detractor from performance in the quarter. Weakness was primarily driven by consumer data management company LiveRamp Holdings, Inc., which guided through lower-than-expected future licensing revenue.

### Small Company Growth Fund versus Russell 2000® Growth Index



	Comm. services	Consumer discretionary	Consumer staples	Energy	Financials	Health care	Industrials	Information technology	Materials	Real estate	Utilities	Cash & equivalents
Sector weights (average % weight during the quarter)												
Small Company Growth Fund	1.41	9.56	1.80	0.17	9.98	28.03	18.67	23.40	2.54	1.42	0.00	3.01
Russell 2000® Growth Index	2.24	14.17	2.97	0.19	3.80	33.98	14.58	20.69	2.42	3.47	1.50	0.00
Over/underweight	-0.83	-4.61	-1.17	-0.02	6.18	-5.95	4.09	2.71	0.12	-2.05	-1.50	3.01

	Comm. services	Consumer discretionary	Consumer staples	Energy	Financials	Health care	Industrials	Information technology	Materials	Real estate	Utilities	Cash & equivalents
Sector returns (%)												
Fund sector return	9.47	23.99	21.86	56.18	6.94	-4.95	14.19	0.49	16.17	8.34	0.00	0.01
Index sector return	1.65	18.34	11.86	39.93	2.64	-2.35	11.68	2.78	13.44	4.65	-0.61	0.00
Relative return	7.82	5.65	10.00	16.25	4.30	-2.60	2.51	-2.29	2.73	3.69	0.61	0.01

Sources: FactSet and Wells Fargo Asset Management

**Past performance is no guarantee of future results.**

Sector weights are subject to change and may have changed since the date specified.

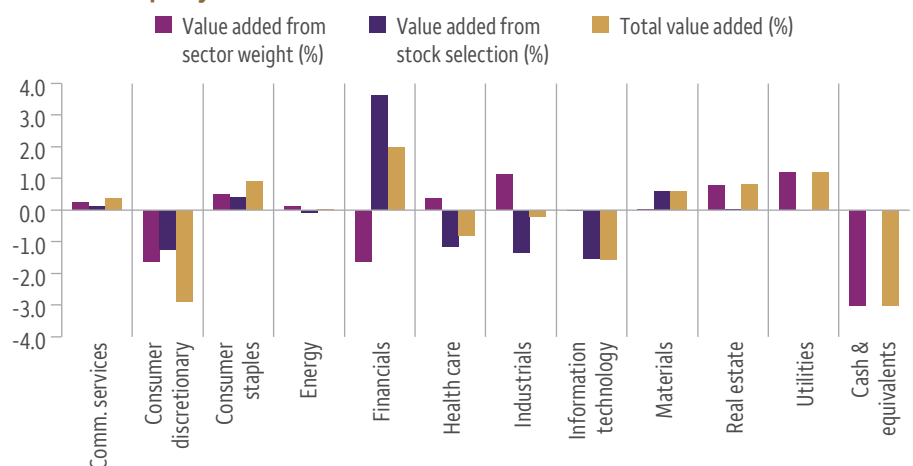
# Wells Fargo Small Company Growth Fund

## Portfolio positioning

### Trailing 12-month attribution analysis

- The fund generated a total return of 87.89% for the 12-month period, underperforming the 90.20% return of the index. Market returns during the 12-month period were largely driven by the significant outperformance of the most highly valued and nonearning companies within the Russell 2000 Growth Index. This extreme narrowness was a headwind for the fund's more valuation conscious style in the period.
- The financials sector was the largest contributor to performance in the period. Strength was broad-based and driven by strong stock selection within the bank, insurance, and capital market industry groups.
- Consumer discretionary was the largest detractor from fund performance in the period. An underweight to this sector as well as weakness in for-profit education company Strategic Education, Inc., were the primary headwinds to performance in the sector.
- The IT sector also detracted from results due to communication equipment companies Lumentum Holdings Inc. and Ciena Corp. as well as semiconductor equipment companies Silicon Motion Technology Corp. and CMC Materials, Inc.

### Small Company Growth Fund versus Russell 2000® Growth Index



	Comm. services	Consumer discretionary	Consumer staples	Energy	Financials	Health care	Industrials	Information technology	Materials	Real estate	Utilities	Cash & equivalents
<b>Sector weights (average % weight during the past 12 months)</b>												
Small Company Growth Fund	1.43	8.83	1.21	0.36	10.75	28.20	18.18	24.69	2.33	1.22	0.00	2.80
Russell 2000® Growth Index	2.34	13.09	3.14	0.21	4.50	34.03	14.85	19.93	2.56	3.72	1.64	0.00
Over/underweight	-0.91	-4.26	-1.93	0.15	6.25	-5.83	3.33	4.76	-0.23	-2.50	-1.64	2.80

<b>Sector returns (%)</b>												
Fund sector return	70.28	142.42	134.71	197.58	104.55	71.74	105.16	78.34	133.17	54.11	0.00	0.10
Index sector return	57.60	162.21	74.01	169.39	59.01	77.60	116.87	89.12	90.45	59.88	17.62	0.00
Relative return	12.68	-19.79	60.70	28.19	45.54	-5.86	-11.71	-10.78	42.72	-5.77	-17.62	0.10

Sources: FactSet and Wells Fargo Asset Management

**Past performance is no guarantee of future results.**

Sector weights are subject to change and may have changed since the date specified.

# Wells Fargo Small Company Growth Fund

## Portfolio positioning

### Outlook

- We are encouraged with the early signs that markets are finally beginning to normalize. The recent increase in interest rates has very quickly imparted a sense of discipline back into markets with respect to valuation. Areas of excess, such as high-value IT stocks, biotech, pockets within renewable energy, and the special-purpose acquisition company mania, have shown cracks that could continue to develop into larger fissures, further opening the door for positive results from a much broader segment of the market. While recent, there are reasons to expect that these dynamics could persist for some time. With robust economic expansion currently underpinned by significant pent-up consumer demand, growing business confidence, and unprecedented government support, we see signs of the raw power of cyclical growth beginning to unfold. As recent performance has shown, a cyclical recovery would be very good for the many strong growth stories trading at attractive valuations that have been long ignored by a market obsessed with a narrow sliver of expensive growth names.

### Top contributors and detractors to fund performance

Contributors	Detractors
• Sleep Number Corp.	• LiveRamp Holdings, Inc.
• Triumph Bancorp, Inc.	• Adaptive Biotechnologies Corp.
• Generac Holdings Inc.	• Palomar Holdings, Inc.
• Atkore Inc.	• CyberArk Software, Ltd.
• American Eagle Outfitters, Inc./Extended Stay America, Inc., tie for 5th	• Mimecast Ltd.

The holdings identified do not represent all of the securities purchased or sold during the time period shown and should not be construed as a recommendation to purchase or sell a particular security. Information on calculation methodology and a list showing the overall contribution of each holding in the account for the time period shown are available upon request.

### Share class availability

Share class	Ticker	Gross expense ratio (%)	Net expense ratio (%)	Contractual expense ratio waiver date
A	WFSAX	1.33	1.29	9/30/2021
C	WSMCX	2.08	2.04	9/30/2021
Admin	NVSCX	1.25	1.19	9/30/2021
Inst	WSCGX	1.00	0.94	9/30/2021
R6	WSCRX	0.90	0.86	9/30/2021

The manager has contractually committed to waive fees and/or reimburse expenses to the extent necessary to cap the fund's total annual fund operating expenses after fee waivers at 1.29% (A), 2.04% (C), 1.19% (Admin), 0.94% (Inst), and 0.86% (R6). Brokerage commissions, stamp duty fees, interest, taxes, acquired fund fees and expenses (if any) from funds in which the underlying affiliated master portfolios and funds invest and from money market funds, and extraordinary expenses are excluded from the expense cap. All other acquired fund fees and expenses from the affiliated master portfolios and funds are included in the expense cap. 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. Without this cap, the fund's returns would have been lower. 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.

The fund outperformed the benchmark during the quarter as market breadth improved and valuations finally began to matter, which benefited our valuation-sensitive style.

# Wells Fargo Small Company Growth Fund

## Top holdings

Stock	% of net assets
PTC Inc.	1.81
Syneos Health, Inc. Class A	1.52
ASGN Inc	1.39
Ciena Corporation	1.33
SS&C Technologies Holdings, Inc.	1.29
Nuance Communications, Inc.	1.26
SPX Corporation	1.25
Avantor, Inc.	1.23
Axonics Modulation Technologies, Inc.	1.20
Omniceil, Inc.	1.18

## Portfolio characteristics

	Fund	Russell 2000® Growth Index
Weighted average market cap	\$5.84B	\$4.16B
Weighted median market cap	\$3.89B	\$3.54B
EPS Growth (3- to 5-year forecast)	22.26%	21.46%
P/E ratio (trailing 12-month)	210.70x	-1017.82x
Turnover <sup>1</sup>	45.27%	—
P/B ratio	4.33x	5.74x
P/S ratio	2.95x	3.41x
Number of equity holdings	127	1147

Source: FactSet.

1. Calculated based on a one-year period.

## Fund facts

Inception date	12/31/1982
Net expense ratio—Inst	0.94%
Assets—all share classes	\$1.35B

## Performance

	1 year	3 year	5 year	10 year
Small Company Growth Fund-Inst	87.89	16.41	17.97	12.77
Lipper Small-Cap Growth Funds Average	92.77	19.80	19.90	13.09
Russell 2000® Growth Index	90.20	17.16	18.61	13.02
Morningstar Small Growth Average	95.97	20.49	20.46	13.43

Past performance is no guarantee of future results.

## Rankings and ratings

Morningstar total return rankings—Institutional Class (as of 3/31/2021)

Morningstar Category	Small growth
1 year	320 out of 619
3 year	413 out of 576
5 year	330 out of 503
10 year	255 out of 379

Overall Morningstar Rating™ ★★

The Overall Morningstar Rating, a weighted average of the 3-, 5-, and 10-year (if applicable) ratings, is out of 576 funds in the Small growth category, based on risk-adjusted returns as of 3/31/2021.

## Performance and volatility measures<sup>2</sup>

	Fund
Alpha	-0.48
Beta	1.00
Sharpe ratio	0.58
Standard deviation	25.67%
R-squared	0.96
Information ratio	-0.15
Upside capture	96.45%
Downside capture	99.46%
Tracking error	5.11%

Past performance is no guarantee of future results.

2. Calculated for the Institutional Class based on a three-year period. Relative measures are compared with the fund's benchmark.

## Wells Fargo Small Company Growth Fund

### Benchmark descriptions:

The Lipper averages are compiled by Lipper, Inc., an independent mutual fund research and rating service. Each Lipper average represents a universe of funds that are similar in investment objective. You cannot invest directly in a Lipper average.

The Morningstar Category average is the average return for the peer group based on the returns of each individual fund within the group. The total return of the Morningstar Category average does not include the effect of sales charges. You cannot invest directly in a Morningstar Category average.

The Russell 2000® Growth Index measures the performance of those Russell 2000 companies with higher price/book ratios and higher forecasted growth values. You cannot invest directly in an index.

### Performance information:

Please keep in mind that high double-digit returns were primarily achieved during favorable market conditions. You should not expect that such favorable returns can be consistently achieved. A fund's performance, especially for short time periods, should not be the sole factor in making your investment decision.

### Attribution analysis:

**Performance attribution and sector returns** are calculated using the Brinson-Fachler attribution model. As such, performance attribution calculations may differ from the fund's actual investment results. Common sources of attribution dispersion from official returns include: the use of end of day holdings and prices, the exclusion of fees, and the use of myriad pricing sources to accommodate different benchmark providers.

### Definition of terms:

**Alpha** measures the difference between a fund's actual returns and its expected performance given its level of risk (as measured by beta).

**Beta** measures fund volatility relative to general market movements. It is a standardized measure of systematic risk in comparison with a specified index. The benchmark beta is 1.00 by definition.

**Downside capture** measures a fund's replication of its benchmark during periods of negative returns. During periods of negative benchmark returns, a downside capture ratio less than 100% reflects product performance greater than the benchmark and a downside capture ratio greater than 100% reflects performance less than the benchmark.

**Information ratio** measures the consistency of excess return (return in excess of a benchmark). This value is determined by taking the annualized excess return over a benchmark (style benchmark by default) and dividing it by the standard deviation of excess return.

**R-squared** is a measurement of how similar a fund's historical performance has been to that of the benchmark. The measure ranges from 0.0, which means that the fund's performance bears no relationship to the performance of the index, to 1.0, which means that the fund's performance was perfectly synchronized with the performance of the benchmark.

**Sharpe ratio** measures the potential reward offered by a mutual fund relative to its risk level. The ratio uses a fund's standard deviation and its excess return to determine reward per unit of risk. The higher the Sharpe ratio, the better the fund's historical risk-adjusted performance.

**Standard deviation** represents the degree to which an investment's performance has varied from its average performance over a particular time period.

**Tracking error** measures the extent to which a manager's performance mimics that of a benchmark. The value is the standard deviation of the difference between a fund's performance and a benchmark's performance.

**Upside capture** measures a fund's replication of its benchmark during periods of positive returns. During periods of positive benchmark returns, an upside capture ratio greater than 100% reflects product performance greater than the benchmark and an upside capture ratio less than 100% reflects performance less than the benchmark.

## Wells Fargo Small Company Growth Fund

**Risks:** Stock values fluctuate in response to the activities of individual companies and general market and economic conditions. Smaller-company stocks tend to be more volatile and less liquid than those of larger companies. Certain investment strategies tend to increase the total risk of an investment (relative to the broader market). This fund is exposed to foreign investment risk. Consult the fund's prospectus for additional information on these and other risks.

The Morningstar Rating for funds, or star rating, is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar risk-adjusted return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The Morningstar Rating does not include any adjustment for sales loads. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its 3-, 5-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% 3-year rating for 36–59 months of total returns, 60% 5-year rating/40% 3-year rating for 60–119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent 3-year period actually has the greatest impact because it is included in all three rating periods.

Across U.S.-domiciled small growth funds, the Small Company Growth Fund received 2 stars among 576 funds, 2 stars among 503 funds, and 2 stars among 379 funds for the 3-, 5-, and 10-year periods, respectively. The Morningstar Rating is for the Institutional Class only; other classes may have different performance characteristics.

The Morningstar absolute ranking is based on the fund's total return rank relative to all funds that have the same category for the same time period. Morningstar rankings do not include the effect of sales charges. **Past performance is no guarantee of future results.**

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The inception date of the Institutional Class was March 31, 2008. Performance shown prior to the inception of the Institutional Class reflects the performance of the Administrator Class, which inceptioned on November 11, 1994, and includes expenses that are not applicable to and are higher than those of the Institutional Class. Performance prior to November 11, 1994, reflects the performance of an unregistered collective investment fund that was not subject to the same requirements and restrictions as the Small Company Growth Fund.

The views expressed and any forward-looking statements are as of March 31, 2021, and are those of the fund manager and/or Wells Fargo Asset Management. 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 any 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](http://wfam.com). Read it carefully before investing.*

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