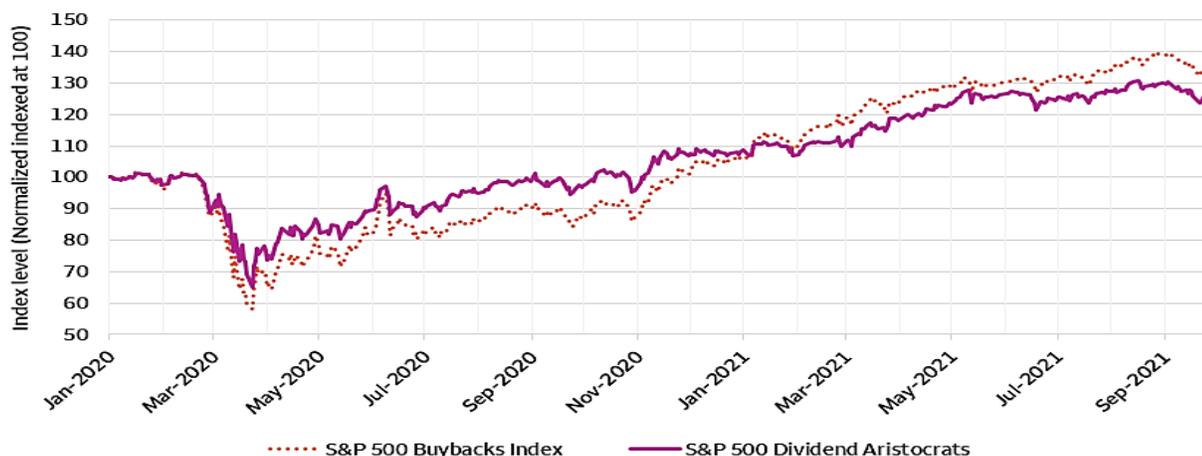


## What rising cash flow could mean for U.S. Large Caps



Sources: Wells Fargo Investment Institute, Bloomberg, 9/29/2021. Indexed to 100 on January 1, 2020. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

### Performance of buyback and dividend focused benchmarks

During the 2008-2009 bear market, the S&P 500 Buyback Index (dotted line) slightly underperformed the S&P 500 Index — likely due in part to the reduction or elimination of buyback programs. The S&P 500 Buyback Index also underperformed in 2020, with many companies suspending repurchase programs due to the COVID-19 pandemic.

In 2021, however, the S&P 500 Buyback Index has significantly outperformed the S&P 500 Index as many companies reinstated their programs. The S&P 500 Dividend Aristocrats Index (solid line), tracking companies that have consistently increased dividends, historically has outperformed the S&P 500 Buyback Index during market drawdowns and underperformed during recoveries.

#### What it may mean for investors

We believe that corporate cash flow will continue to grow with the economic expansion. U.S. large-cap companies generate a significant amount of cash flow that they can deploy in programs in an effort to enhance shareholder value. These companies typically have had the highest dividend payouts and the largest share repurchase programs. We remain most favorable on U.S. Large Cap Equities.

Over the past 10 years, repurchase activity has been led by the Information Technology, Financials, Consumer Discretionary, and Health Care sectors. Over the past 12 months, Communication Services has replaced Consumer Discretionary in the top four. We expect performance of these sectors to continue to benefit from shareholder-friendly activities.

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This chart was excerpted from the Special Report “Buybacks and dividends have rebounded with the economy” dated October 21, 2021

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### Risk Considerations

Each asset class has its own risk and return characteristics. The level of risk associated with a particular investment or asset class generally correlates with the level of return the investment or asset class might achieve. **Equity securities** are subject to market risk which means their value may fluctuate in response to general economic and market conditions and the perception of individual issuers. Investments in equity securities are generally more volatile than other types of securities. There is no guarantee that **dividend-paying stocks** will return more than the overall stock market. Dividends are not guaranteed and are subject to change or elimination.

### Definitions

S&P 500 Index is a market capitalization-weighted index composed of 500 widely held common stocks that is generally considered representative of the U.S. stock market.

S&P 500 Buyback Index seeks to track the 100 companies in the S&P 500 with the highest buyback ratio in the trailing 12-month period.

S&P 500 Dividend Aristocrats Index measures the performance of S&P 500 companies that have increased dividends every year for the last 25 consecutive years.

An index is unmanaged and not available for direct investment.

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