

August 26, 2011

## **Update on the Wells Fargo Advantage Money Market Funds: European sovereign debt exposure**

### **Background**

Recent events have once again drawn attention to indirect exposure that U.S. money market funds may have to European sovereign debt through their holdings of securities issued by European banks or banks located in these countries. Please refer to the following Q&A for additional information on the funds' European bank exposure.

### **Q&A**

#### **Can you tell me more about the Wells Fargo Advantage Money Market Funds' exposure to European banks?**

Our funds invest only in U.S. dollar-denominated obligations—and only after we have made our own independent determination that these investments present minimal credit risk to our funds and their shareholders. As of August 26, 2011, the Wells Fargo Advantage Money Market Funds had no direct exposure to the sovereign debt obligations of Greece, Ireland, Italy, Spain, or Portugal or banks located in these countries. To the extent that the Wells Fargo Advantage Money Market Funds invest in the debt of European banks, they are all large, global institutions that are profitable, are well capitalized, have well-diversified business lines, are expected to be able to absorb any impairments due to peripheral exposure, and are among the largest banks in their respective countries.

Holdings in the Wells Fargo Advantage Money Market Funds are updated daily—on a one-day delayed basis—on the Institutional Cash Management website at [wellsfargo.com/advantagefunds](http://wellsfargo.com/advantagefunds) so our clients have access at all times to holdings in our money market funds at the end of the previous day.

#### **Do the current European sovereign debt concerns affect the way the Wells Fargo Advantage Money Market Funds are managed?**

We recognize that the current negative atmosphere could contribute to a situation in which credit and liquidity concerns spread, no matter how strong the underlying fundamental credit quality of the countries involved or the banks in those countries. The current market environment in Europe is a great example of why the Wells Fargo Advantage Money Market team believes in managing portfolios with a focus on liquidity and principal preservation. We continue to manage the Wells Fargo Advantage Money Market Funds with a relatively short weighted average maturity and weighted average life, which we believe will help to minimize the effects of any short-term price volatility that may be caused by potential credit events in Europe. In addition, our funds are highly liquid, and we have positioned their portfolios to address the anticipated needs of our shareholders.

**Are all countries and banks at equal risk?**

The current issues may affect banks in the eurozone more heavily than those in the United Kingdom, Switzerland, and Scandinavia, which may be more isolated from the problems in the periphery of Europe. Certainly the debt loads in Greece, Portugal, Italy, Ireland, and Spain have appropriately pushed those countries to the front page.

When it comes to the banks in Europe, exposure to the debt of these nations varies greatly, as does each bank's ability to absorb losses if and when they might occur. As we analyze each issuer in our funds, we aim to identify those that present minimal credit risk. While the peripheral debt story is a big one—and we do not wish to minimize the risk of contagion and an attendant credit freeze—we believe that the losses that might be realized from holdings of the sovereign debt of Greece, Portugal, Italy, Ireland, and Spain are manageable at each of the eurozone banks that we own in our funds.

As always, prudent investment of clients' assets is our top priority. If you have any questions regarding the Wells Fargo Advantage Money Market Funds, please contact the Institutional Service team at **1-800-260-5969**.

The views expressed are as of 8-26-11 and are those of the fund managers. The views are subject to change at any time in response to changing circumstances in the market and are not intended to predict or guarantee the future performance of any individual security, market sector or the markets generally, or any Wells Fargo Advantage Fund. Any specific securities discussed may or may not be current or future holdings of the fund.

*An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in a money market fund.*

*Carefully consider a fund's investment objectives, risks, charges, and expenses before investing. For a current prospectus, containing this and other information, visit [wellsfargo.com/advantagefunds](http://wellsfargo.com/advantagefunds). Read the prospectus carefully before investing.*

As of 8-26-11, the Wells Fargo Advantage Money Market Funds do not hold any investments issued by the governments of Greece, Italy, Ireland, Portugal, or Spain or any banks or affiliates domiciled in those countries. The funds do have limited exposure to investments issued by the government of France and French banks. Because these entities may have ongoing contractual or business relationships with other entities in which the funds invest, such as banks and broker/dealers, the recent developments surrounding their financial condition may potentially have an adverse impact on certain fund investments.

Wells Fargo Funds Management, LLC, a wholly owned subsidiary of Wells Fargo & Company, provides investment advisory and administrative services for *Wells Fargo Advantage Funds*<sup>®</sup>. Other affiliates of Wells Fargo & Company provide subadvisory and other services for the funds. The funds are distributed by **Wells Fargo Funds Distributor, LLC**, Member FINRA/SIPC, an affiliate of Wells Fargo & Company. 205096 08-11