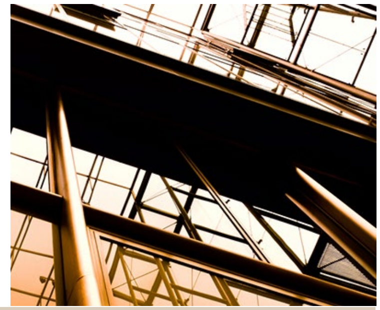
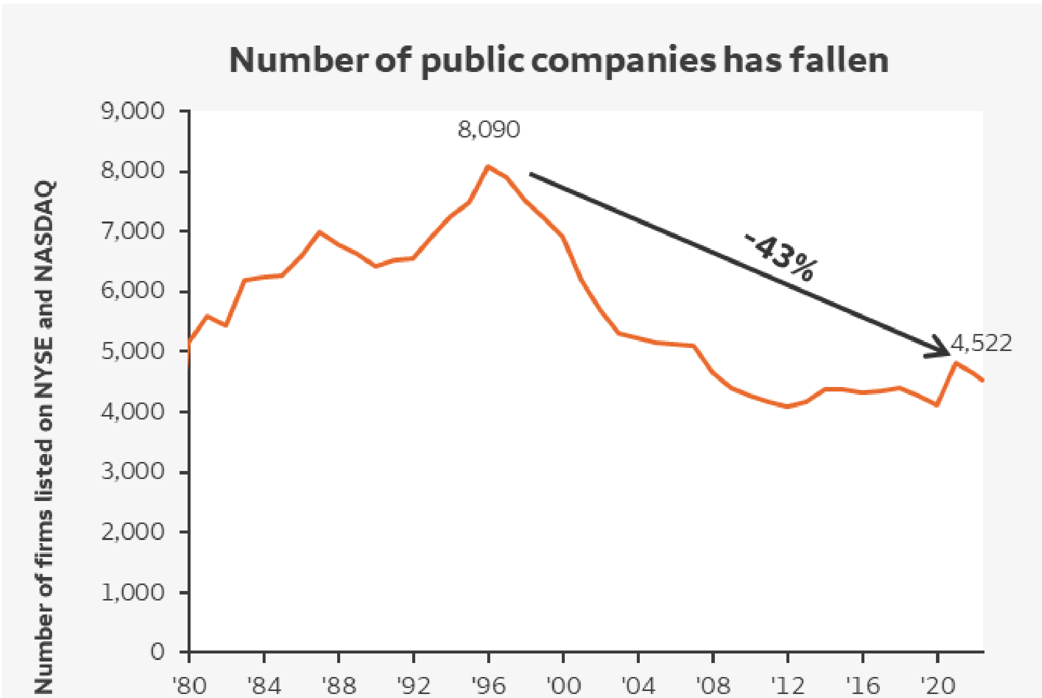
WELLS FARGO
Investment Institute

Chart of the Week



Weekly market analysis on key market indexes July 25, 2023

The incredible shrinking universe of public companies



Sources: U.S. Census Bureau, World Federation of Exchanges, and Wells Fargo Investment Institute. Data from January 1, 1980, to May 31, 2023.

Number of public companies has fallen 43% since 1996

As of May 31, 2023, there were 4,522 public companies listed on the New York Stock Exchange and Nasdaq, while there were approximately 6.1 million private companies. The chart shows that the number of public companies has dropped 43% since 1996.

Private equity funds invest directly in private companies in return for an ownership position. This capital can be used to fund new technologies, expand working capital, make acquisitions, and strengthen a balance sheet.

What it may mean for investors

Over the long term, we expect alternative investments, including private capital, to continue to be used to generate alpha (excess return over a benchmark) and reduce overall portfolio risk. While we are neutral on Private Equity overall, we are favorable on Small/Mid Cap Buyout and Growth Equity strategies.

Chart excerpted from *Market Charts* (Q3 2023). Text excerpted from *Alternative Thinking* report (March 2023).

Alternative investments, such as private equity funds, are not appropriate for all investors and are only open to “accredited” or “qualified” investors within the meaning of the U.S. securities laws. They are speculative and entail significant risks that are appropriate only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in a fund and for which the fund does not represent a complete investment program.

Investment and Insurance Products: ➤ NOT FDIC Insured ➤ NO Bank Guarantee ➤ MAY Lose Value

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. **Stock markets**, especially foreign markets, are volatile. Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. **Small- and mid-cap stocks** are generally more volatile, subject to greater risks and are less liquid than large company stocks.

Alternative investments, such as hedge funds, private equity/private debt and private real estate funds, are speculative and involve a high degree of risk that is appropriate only for those investors who have the financial sophistication and expertise to evaluate the merits and risks of an investment in a fund and for which the fund does not represent a complete investment program. They entail significant risks that can include losses due to leveraging or other speculative investment practices, lack of liquidity, volatility of returns, restrictions on transferring interests in a fund, potential lack of diversification, absence and/or delay of information regarding valuations and pricing, complex tax structures and delays in tax reporting, less regulation and higher fees than mutual funds. Hedge fund, private equity, private debt and private real estate fund investing involves other material risks including capital loss and the loss of the entire amount invested. A fund's offering documents should be carefully reviewed prior to investing.

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