

# SMID Cap Value Equity Managed Account

## BENCHMARK:

Russell 2500™ Value Index

## TOP TEN HOLDINGS (%)

Randgold Resources Ltd. ADS	5.73
InterOil Corp.	4.42
Chimera Investment Corp.	3.93
McMoRan Exploration Co.	2.13
Newmont Mining Corp.	1.91
Geo Group Inc.	1.82
Tier Technologies Inc.	1.63
Hill International Inc.	1.47
MRV Communications Inc.	1.46
Power-One Inc.	1.46

The information provided in this report should not be considered a recommendation to purchase or sell a particular security. There is no assurance that any securities discussed herein will remain in an account portfolio at the time you review this report or securities sold have not been re-purchased. The securities discussed do not represent an account's entire portfolio and, in the aggregate, may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the security transactions or holdings discussed were or will prove to be profitable or that the investment recommendations or decisions made in the future will be profitable or will equal the investment performance of the securities discussed herein.

## PORTFOLIO MANAGEMENT

Name	Industry	Start Date
<b>Charles Rinaldi</b> <i>Portfolio Manager</i>		1970
<b>Erik C. Astheimer</b> <i>Senior Analyst, Co-Portfolio Manager</i>		1996
<b>Michael Schneider, CFA</b> <i>Senior Analyst, Co-Portfolio Manager</i>		1996
<b>Bobby Chen, CFA</b> <i>Product Specialist, Associate Portfolio Manager</i>		1999

## Uncovering Value

The portfolio manager recognizes that different types of value opportunities exist in different market environments, so the team looks across distinct segments of value investing, including intrinsic value, relative value, and contrarian value to maximize their opportunity set. By considering all areas of value investing, the team believes it can deliver more consistent results over time.

## Identifying Positive Dynamics

The research-driven security selection process focuses on what drives stock performance. Rigorous fundamental analysis seeks to identify companies at inflection points, with measurable improvement in fundamentals and also some positive dynamic for change, including new management, a new product or business plan, regulatory changes, or industry consolidation.

## Investment Philosophy

The manager believes that:

- The small/mid cap market is largely inefficient—we add value by seeking to exploit these inefficiencies through bottom-up security selection.
- Opportunities exist in finding companies with an unrecognized positive dynamic for change.
- Investing in companies that have modest valuations limits downside risk while providing opportunity for significant outperformance.

## Supplemental Performance

	Composite Total Returns (%)* (Incpt. 06-30-06)			
	YTD	1 Year	3 Year	Since Incept.
Gross of Fees <sup>1</sup>	-4.72	28.33	-7.22	-2.18
Net of Fees	-6.14	24.53	-9.97	-5.08
Russell 2500 Value Index	-1.57	26.46	-9.26	-3.02

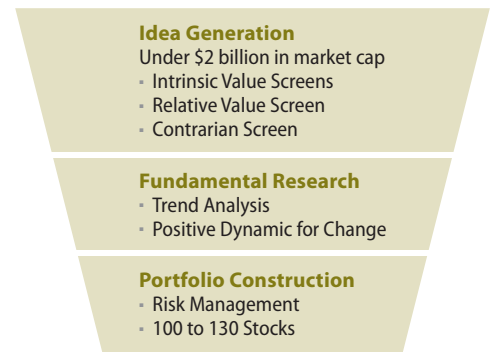
	Representative Account Returns (%)* (Incpt. 04-30-02)				
	YTD	1 Year	3 Year	5 Year	Since Incept.
Gross of Fees <sup>2</sup>	-4.72	28.33	-7.22	2.55	6.82
Net of Fees	-6.14	24.53	-9.97	-0.08	4.19
Russell 2500 Value Index	-1.57	26.46	-9.26	-0.09	5.05

\*Returns of less than one year are not annualized

Return and Risk Characteristics <sup>3</sup>		
SMID Cap Value Equity (3 Year) versus benchmark		
Alpha	2.71%	
Beta	0.96	
R <sup>2</sup>	78.0%	
Tracking Error	13.38%	
SMID Cap Value Equity (3 Year) Benchmark		
Sharpe Ratio	-0.31	-0.41
Standard Dev.	28.16%	25.97%

## Investment Process—Consistent, Repeatable, and Proven

Security selection is performed by using a three-step process that combines both quantitative analysis and fundamental research. From a universe of companies with market capitalizations below \$12 billion, an 100–130-stock portfolio is created.



Sector Weightings <sup>4,5</sup> (% Equities)		
Sector	Portfolio	Benchmark
Consumer Discretionary	6.94	9.77
Consumer Staples	0.63	4.03
Energy	20.19	7.72
Financials	21.51	33.90
Health Care	6.20	5.98
Industrials	10.77	11.30
Information Technology	17.03	8.63
Materials	15.26	6.89
Telecommunication Services	0.38	0.87
Unassigned	1.09	0.00
Utilities	0.00	10.92

Portfolio Characteristics <sup>5</sup>		
Statistic	Portfolio	Benchmark
Dividend Yield	2.32%	2.13%
Price/Book	1.45x	1.17x
P/E using FY1 est	14.72x	13.30x
ROE	1.84%	6.08%
EPS 3–5 Year est	12.84%	8.90%
Historical 3 Yr EPS Growth	2.46%	-4.53%
Wtd. Avg. Market Cap (\$B)	3.88	1.99

Performance is historical and does not guarantee future results. This performance is being used solely as supplemental information to the composite presentation. For more information, please refer to the attached Schedule of Performance Results and Representative Account footnote. Source of indices: FactSet. Sector weightings, portfolio characteristics, holdings, and market-cap weightings are based on an account within the composite.

1. The gross performance data is a pure gross of fees return and does not reflect the deduction of any management fees or transaction costs. 2. The gross performance data, beginning June 30, 2006, is a pure gross of fees return and does not reflect the deduction of any management fees or transaction costs.

3. Source: Wells Fargo Funds Management, LLC. 4. Sector weightings may not add up to 100% due to rounding. 5. Source: FactSet.

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## SMID Cap Value Equity Managed Account Composite Disclosure

06-30-06 (Inception) through 12-31-09 | Schedule of Performance Results

The Wells Fargo Managed Account Services SMID Cap Value Equity Composite includes portfolios investing primarily in the equities of small and medium capitalization, under-followed, and undervalued companies. The strategy seeks capital growth by investing in companies whose share price does not fully reflect the value of the company. Investment results are normally measured versus the Russell 2500TM Value Index.

### SUPPLEMENTAL INFORMATION

#### Representative Account

Representative Account performance data is being used solely as supplemental information to illustrate the SMID Cap Value Equity investment style. As with all performance, this data is historical and does not represent future results.

The performance data for the period from April 1, 2002, through December 31, 2003, reflects the performance of the Wells Fargo Advantage SMID Cap Value Fund, gross of fees and expenses. The cumulative total return for the Composite was 17.83% (net) and 24.13% (gross). The net performance data reflects the deduction of a 3.00% annual expense ratio. There were no Managed Account clients in this strategy during this period.

The performance data for the period from January 1, 2004, through December 31, 2004 reflects the performance the Strong SMID Cap Value Equity Managed Account Composite. The cumulative total return for the Composite was 19.37% (net) and 21.62% (gross). The net performance data reflects the deduction of a 3.00% annual fee. The gross performance data is a pure gross of fees return and does not reflect the deduction of any management fees or transaction costs.

The performance data for the period from January 1, 2005, through June 30, 2006, reflects the performance of the Wells Capital SMID Cap Value Equity Composite. The cumulative total return for the Composite was 22.88% (net) and 24.72% (gross). The net performance data reflects the deduction of a 3.00% annual fee. The gross performance data is a pure gross of fees return and does not reflect the deduction of any management fees or transaction costs.

The performance data for the period from July 1, 2006, through December 31, 2009, reflects the performance of the Wells Fargo SMID

Cap Value Equity Managed Account Composite. The cumulative total return for the Composite was -13.52% (net) and -3.94% (gross). The net performance data reflects the deduction of a 3.00% annual fee. The gross performance data is a pure gross of fees return and does not reflect the deduction of any management fees or transaction costs.

### ACCOMPANYING NOTES

#### General

The accompanying schedule of performance results for SMID Value Equity Managed Account Composite (the "Composite") represents the investment performance results for the Composite. The Composite was created in June 2006 and consists of all actual discretionary portfolios advised by Wells Fargo Funds Management, LLC, and subadvised by Wells Capital Management in this discipline.

Wells Fargo Managed Account Services (the "Firm") is a program of professionally managed custom portfolios made up of individual securities.

To receive a complete list and description of the Firm's composites, contact Dawn Christensen at Dawn.Christensen@wellsfargo.com.

#### Calculation Methodology

Time-weighted portfolio returns are based on monthly valuations of portfolios. Dividend income is recorded on ex-dividend date and interest income is recorded on the accrual basis.

Composite returns are calculated by weighting the monthly returns of all portfolios in the Composite by their beginning-of-month market values. Annual and quarterly composite returns are calculated by geometrically linking the quarterly and monthly composite returns, respectively. Cumulative rates of return for multiyear periods are calculated by compounding the annual rates of return within such periods. The annualized rate of return is equivalent to the annual rate of return, which, if earned in each year of the indicated multiyear period, would produce the actual cumulative rate of return over the time period.

New portfolios are added to the Composite in the beginning of the first full month of performance unless the client has otherwise specified the commencement of performance measurement. A portfolio is excluded from the Composite after the last full month that performance is measured against its benchmark. All information is expressed in U.S. dollars.

A model fee is utilized for the net composite returns, which is the maximum annual wrap fee in effect during each respective performance period for each portfolio in the Composite. The annual wrap fee is divided by 12 to determine the monthly wrap fee. Monthly composite net of fee returns are calculated as  $(1 - \text{monthly wrap fee}) \times (1 + \text{monthly gross return}) - 1$ . Monthly composite net of fee returns are linked to calculate composite net of fee returns.

The dispersion within a composite is measured by using the equal method of standard deviation. The standard deviation of gross annual portfolio returns is calculated from the measurements of variance from the mean annual portfolio return. Assuming "normal" distribution of returns, plus or minus one standard deviation from the mean return encompasses 68% of all possible outcomes. A statistical measure of internal dispersion for composites with five or fewer accounts included for the entire year is not considered meaningful.

#### Fees and Expenses

A wrap-fee account is an account under which any client is charged a specified fee or fees not based directly upon transactions in a client's account for investment advisory services and execution of client transactions. A typical wrap-fee account has a contract or contracts (and fee) involving a broker as the investment advisor, other services (custody, consulting, reporting, performance, selection, monitoring, and execution of trades), and the client (brokerage customer). This fee is called a "wrap fee" because it is a single all-inclusive fee charged for the asset-based brokerage relationship. The wrap fee is a negotiable single fee for each account. No non-fee-paying portfolios are included in this Composite.

All performance results presented below are net of commissions and transaction costs and have been presented net of wrap fees. Currently, the maximum fee for new SMID Cap Value Equity Managed Account portfolios is 3.00%.

#### Comparison with Market Index

The Russell 2500 Value Index measures the performance of those Russell 2500 companies with lower price-to-book ratios and lower forecasted growth values. You cannot invest directly in an index. Source of the index data is Morningstar EnCorr.

Annualized Returns (%)			
	1 Year	3 Year	Since Inception
Composite—Net of Fees	54.44	-6.34	-4.07
Benchmark <sup>1</sup>	27.68	-6.97	-3.01

Cumulative Returns (%)			
	1 Year	3 Year	Since Inception
Composite—Net of Fees	54.44	-17.84	-13.52
Benchmark <sup>1</sup>	27.68	-19.48	-10.12

	2006	2007	2008	2009
<b>Composite Returns (Net)</b>				
1st Quarter (%)	—	0.84	-8.36	-5.17
2nd Quarter (%)	—	4.81	5.92	22.77
3rd Quarter (%)	-1.10	-1.93	-18.06	23.47
4th Quarter (%)	6.42	-6.64	-30.88	7.44
Annual (%)	—	-3.22	-45.03	54.44
<b>Benchmark Returns<sup>1</sup></b>				
1st Quarter (%)	—	3.08	-7.22	-16.32
2nd Quarter (%)	—	2.91	-1.24	-0.07
3rd Quarter (%)	2.27	-6.04	-1.22	22.77
4th Quarter (%)	9.14	-6.97	-24.86	4.65
Annual (%)	—	-7.27	-31.99	27.68
<b>Composite Statistics (as of December 31)</b>				
Number of Portfolios	<5	70	69	71
Composite Assets (\$ millions)	9.2	20.6	10.3	14.8
Total Managed Account Assets (\$ millions)	2,730.4	4,484.5	2,929.0	2,822.7
Percentage of Composite Assets to Total Managed Account Assets <sup>2</sup>	0.3	0.0	0.4	0.5
Standard Deviation	N/A	0.28	0.21	0.65

1. Russell 2500 Value Index

Wells Fargo Funds Management, LLC, a wholly owned subsidiary of Wells Fargo & Company, provides investment advisory and administrative services for Wells Fargo Managed Account Services. 124751 07-10