Allspring

Global Equity Enhanced Income Fund

OBJECTIVES AND PROCESS

- Seeks a high level of current income and long-term capital appreciation by investing primarily in equity securities of any market cap and style, broadly diversified among major economic sectors and global geographic regions
- Under normal conditions, the fund invests:
  - At least 90% of its total assets in equity securities of companies located worldwide of which at least 90% will be invested in dividend-paying equity securities
  - In equity securities of issuers located in at least five different countries, including the U.S., and maintains an allocation to U.S. securities within 10% of the fund's U.S benchmark allocation
- Targets an overall carbon footprint and carbon intensity for the portfolio that is at least 30% lower than the MSCI All Country World Index
- Targets creating a portfolio with a higher weighted average ESG score than the MSCI All Country World Index
- Uses a proprietary fundamental investment process to identify quality companies around the world with a proven track record of delivering consistent or rising dividends and companies likely to raise their dividends meaningfully and/or to pay a significant special dividend
- Employs a strategy of writing (selling) call options – with a net notional amount of up to 100% of total assets in an attempt to generate premium income
- Seeks to provide a targeted yield for the fund based on prevailing market conditions, although there is no guarantee that the fund will generate the targeted yield, or any other level of income or returns
- May use currency exchange transactions for hedging and other derivatives for hedging, efficient portfolio management or investment purposes

KEY RISKS

Market risk: securities may decline in value due to factors affecting securities markets generally, and equity securities generally have greater price volatility than debt securities. **Smaller-company security risk:** securities of companies with smaller market capitalisations tend to be more volatile and less liquid than securities of larger companies. **Geographic concentration risk:** investments concentrated in specific geographic regions and markets may be subject to greater volatility due to economic downturns and other factors affecting the specific geographic regions. **Global investment risk:** securities of certain jurisdictions may experience more rapid and extreme changes in value and may be affected by uncertainties such as international political developments, currency fluctuations and other developments in the laws and regulations of countries in which an investment may be made. **Derivatives risk:** the use of derivatives presents risks different from, and possibly greater than, the risks associated with investing directly in traditional securities. The use of derivatives can lead to losses because of adverse movements in the price or value of the underlying asset, index or rate, which may be magnified by certain features of the derivatives. **ESG risk:** applying an ESG screen for security selection may result in lost opportunity in a security or industry resulting in possible underperformance relative to peers. ESG screens are dependent on third-party data and errors in the data may result in the incorrect inclusion or exclusion of a security.

Calendar-year performance (%)

Past performance is not indicative of future results.

	2023	2022	2021
Class I (USD) (16 Jul 2020)*	18.37	-16.41	20.76
MSCI ACWI Index (Net)[1]	22.20	-18.36	18.54

Performance (%)

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since incep.
Class I (USD) (16 Jul 2020)*	-2.30	6.47	8.13	19.16	5.46	–	–	10.87
MSCI ACWI Index (Net)[1]	-3.30	4.02	4.63	17.46	4.27	–	–	10.75

Past performance is not indicative of future results. Performance calculations are net of all applicable fees and are calculated on a NAV-to-NAV basis (with income re-invested). Performance shown is for class and currency indicated and returns may increase/decrease as a result of currency fluctuations. *Share class inception date

Market Overview

- The MSCI ACWI Index declined 3.30% as investors began factoring in higher inflation rates.
- In April, MSCI ACWI and MSCI Growth both lost around 3%. Year-to-date in 2024, however, Growth has increased 5.58%, outperforming Value by +194 bps.
- The fund delivered -2.30% during the month but outperformed the benchmark (MSCI ACWI Index) by +100 bps. For 2024, the strategy has gained 8.13% and has outperformed the benchmark by +350 bps.

Performance

- Stock selection by sector and region drove the majority of outperformance, while sector allocation was also positive.
- Stock selection in IT contributed +58 bps while Financials added +28 bps, materials subtracted -13 bps and Consumer Discretionary detracted -11 bps.
- Stocks in the United States were the highest contributors, adding +59 bps. British and Latin American stocks followed adding +16 bps and +15 bps respectively. There were no meaningful detractors regarding regions.
- For dividend grouping by quintiles, the biggest contributors were at both ends of the spectrum, the highest yielding stocks and the low or non-dividend paying stocks. Our ability to hold up to 10% of the portfolio in non-dividend paying stocks helps us to meet our growth objectives while maintaining our income target.
- An overweight to the highest dividend group, greater than an 8% yield, contributed +60 bps. An underweight allocation to low or no dividends stocks contributed +10 bps and stock selection to this group added +65 bps. Stocks that yield between 3% to 8% detracted.
- UK software security firm **Darktrace** advanced 27% following the announcement of the sale to private equity company, Thoma Bravo. We purchased Darktrace a week earlier based on attractive fundamental rankings but noted a takeover was possible.
- Special dividends were a key for both automobile manufacturer **Brilliance China Automotive** and Brazilian oil company **Petrobas**. Brilliance announced a 38% dividend and is up 17% since we purchased the stock. Petrobas was up 12% as the combination of regular and special dividends will earn a 12% annual dividend. The special dividend overcame political issues and was welcomed by the market.
- Disappointing earnings for US steel company **Reliance** and global automobile maker **Stellantis** caused the stocks to retreat 15% and 17% respectively. In the first quarter, both stocks gained over 10% against the benchmark. Some investors took the slightly negative print as an opportunity to sell the stocks. **Reliance** and **Stellantis** are both fundamentally sound, rank well, and remain in the portfolio.

Investors should note that, relative to the expectations of the Autorité des Marchés Financiers, this fund presents disproportionate communication on the consideration of non-financial criteria in its investment policy.

1. Morgan Stanley Capital International (MSCI) All Country World Index (ACWI). The Fund uses the MSCI All Country World Index as a reference for selecting investments and for performance comparison. The investments of the Global Equity Enhanced Income Fund may deviate significantly from the components of and their respective weightings in the benchmark.

Global Equity Enhanced Income Fund

GENERAL FUND INFORMATION

Portfolio managers: Petros N. Bocray, CFA®, FRM; Justin Carr, CFA®; Eddie Cheng, CFA®; Harindra de Silva, Ph.D., CFA®; Vince Fioramonti, CFA®; and Megan Miller, CFA®

Benchmark: MSCI ACWI Index (Net)[1]

Fund inception: 16 Jul 2020

Management approach: Actively managed

Sustainable Finance Disclosure Regulation: Article 8†

- The equity market decline in April led to favourable conditions for call overlays in the month, as upside calls contributed +0.29% to strategy performance.

Positioning

- The yield on the equity portfolio is currently 4.0% versus the benchmark yield at 2.0%, creating a 200 bps dividend yield premium for the fund. Option premium collected to enhance the overall yield was above overall targets in the month.
- Implied volatility as measured by the benchmark volatility index (the VIX) increased over the course of April, but ultimately settled at 15.65, after peaking at 19.23 mid-month. Market participants seemed concerned with the repricing of rate-cut odds, after the Fed announced they are seeing stickier inflation data than expected.
- A VIX of 15.7 sits below long-term median levels. Option strikes written in the month can best be described as below average levels, while meeting income targets, still allowing as much equity market upside as possible.

†Promotes environmental and social characteristics but does not have a sustainable investment objective.

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