Allspring

Climate Transition Global Buy and Maintain Fund

OBJECTIVES AND PROCESS

- Seeks total return, maximising investment income whilst preserving capital
- Invests two-thirds of its assets in investment-grade credit debt securities—graded such at the time of purchase—issued by corporate issues domiciled anywhere in the world
- May invest up to one-third of its total assets in below-investment-grade debt securities
- Will hedge non-GBP-denominated investments to the GBP
- Will target to decarbonise the sub-fund by 2050
- Uses a negative screen to exclude securities issued by companies based on their exposure to ESG risks
- May invest up to 30% of its total assets in perpetual bonds
- May invest up to 15% of its total assets in emerging markets
- May also use derivatives for hedging, efficient portfolio management or for investment purposes
- Focus on bottom-up credit research with a focus on well-underwritten credits and relative value
- Intends to hold bonds until maturity

KEY RISKS

Debt securities risk: Debt securities are subject to many factors, including, but not limited to, changes in interest rates and an issuer's ability and willingness to make payments when due. **Global investment risk:** Securities of certain jurisdictions 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. These may result in rapid and extreme changes in securities prices. **High yield securities risk**: High yield securities are rated below investment grade, have a higher risk of default and prices may be more volatile than higher-rated securities of similar maturity. **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. **Contingent Convertible Bonds risk:** These instruments can be converted from debt into equity because of the occurrence of certain predetermined trigger events including when the issuer is in crisis resulting in possible price fluctuations and potential liquidity concerns. **Currency risk**: Currency exchange rates may fluctuate significantly over short periods of time and can be affected unpredictably by intervention (or the failure to intervene) by relevant governments or central banks, or by currency controls or political developments. **Emerging markets risk**: Emerging markets may be more sensitive than more mature markets to a variety of economic factors and may be less liquid than markets in the developed world. **Leverage risk**: The use of certain types of financial derivative instruments may create leverage which may increase share price volatility. **US Government Obligations risk:** Securities issued by US Government agencies or government sponsored may not be backed by the full faith and credit of the US Government and may be negatively impacted by adverse market and credit events.

Performance (%)

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since incep.
Class I Dist. (GBP) (23 Aug 2023)*	0.21	2.85	1.78	10.79	–	–	–	10.97
ICE BofA Sterling Corporate Index (GBP)	0.29	3.08	2.16	10.88	–	–	–	11.61

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

In August credit spreads as measured by the ICE BofA Sterling Corporate index widened by 3bps from a spread of government bonds +112bps to +115bps, leading to an excess return of -0.13%. Total return for the month was 0.29%; the 10-year UK government bond repriced 5bps higher in yield to 4.02%.

Economic Review

August was an incredibly volatile month for financial markets, as highlighted by the VIX Index of volatility, which reached levels last seen in March 2020 during the Covid-19 market turmoil. The driver for the volatility was a weak US jobs report at the start of the month. The report showed that nonfarm payrolls were much softer-than-expected at +114k in July (vs expectations of +175k). There were also downward revisions to the previous couple of months which meant the US unemployment rate rose to 4.3% (previously 4.1%) leading to suggestions that a recession in the US was underway.

Risk assets, in particular, Japanese equities had already been on the back foot post the Bank of Japan (BOJ) hawkish rate hike at the end of July. With growing fears that a weakening US labour market would lead to a significant economic slowdown in the US, investors began to dial up their expectations for rate cuts from the Federal Reserve (FED). A more hawkish BOJ and dovish FED would narrow the interest rate differentials between the US and Japan. This put the profitability of the “Yen carry trade” (where investors borrowed YEN at low interest rates and invested in higher yielding currencies, such as the USD) in doubt. By the 5th of August the Nikkei was down almost 20% and this weakness quickly spread to other markets, leading to a decline of over 3% for the S&P 500 in one day (its worst daily performance since September 2022).

However, further data throughout the month pointed to a more positive outlook for the US economy, leading to most markets recovering their losses (Nikkei closing the month -1.1%), and in some cases even finishing the month higher (S&P 500 +2.4%). On the US employment side, the weekly initial jobless claims came in lower than expected and we saw July retail sales accelerate +1% month-on-month (versus +0.4% expected) which showed a marked improvement on the revised -0.2% June reading. Comments from Fed Chairman Powell also eased investor fears that the FED could be too slow in cutting rates. At the annual Jackson Hole synopsis, the FED Chair stated that “The time had come for policy to adjust”. With US Core CPI also falling to its lowest level since April 2021 (+3.2%), investors' expectations of a rate cut in September increased, with some investors even looking for a potential 50 basis point (bps) cut.

With many investors out for their summer holidays, it came as no surprise that activity in the credit markets was benign with little or no issuance in the credit markets for the first few weeks of August, a technical that helped support spreads despite the weaker macro backdrop. However primary activity returned with a bang in the last week of the month with almost €26bn of corporate issuance coming to the market. However, the large

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GENERAL FUND INFORMATION

Portfolio managers: Henrietta Pacquement, CFA®; Alex Temple; Scott Smith, CFA®; and Jonathan Terry, CFA®

Benchmark: ICE BofA Sterling Corporate Index[1]

Fund inception: 23 Aug 2023

Management approach: Actively managed

Sustainable Finance Disclosure Regulation: Article 8[†]

volume was well digested with books 3 times covered albeit with a healthy 11bps new issue premium to keep investors engaged.

Outlook

Looking ahead, we expect strong demand, higher credit yields, and robust supply technicals to remain supportive of the Global Investment Grade Credit market:

Spread outlook: Credit spreads remained range bound in the first half, we expect this to remain the case moving into H2, as the effects of slowing growth are offset by tailwinds from strong demand.

Macroeconomic outlook: Economic activity has proven resilient in 2024, despite aggressive tightening of monetary policy and tightening financial conditions. However, we believe that the monetary policy transmission mechanism is simply taking longer to impact the real economy: we expect to see slowing economic activity in 2H 2024.

Government yield outlook: After trending higher in H1, government bond yields have begun to decrease as incoming data has started to disappoint – evidence points to a deceleration of global growth. The growth outlook supports a first move by the U.S. Federal Reserve in September – initiating its easing cycle; consistent with other global central banks. Yield curves have started to normalise/re-steepen, which we believe this will be supportive of total returns.

Monetary policy outlook: The emergence of a global growth slow down has set the stage for a first move by the U.S. Federal Reserve in September. We expect 2 more 25bps cuts in the deposit rate from the ECB this year, following their 25bps cut at the meeting in June.

Curve shape outlook: As global central banks progress to ease policy; expectations include a complementary steepening of credit curves. Shorter dated credit is likely to benefit from increased demand as cash alternative yields fall.

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

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1. The fund uses the ICE BofA Sterling Corporate Index for performance and carbon intensity comparison. The investments of the sub-fund may deviate significantly from the components of and their respective weightings in the benchmark. The benchmark index is not consistent with the environmental or social characteristics promoted by the sub-fund.

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Dealer cutoff (Climate Transition Global Buy and Maintain Fund) 4pm London time and 5pm Luxembourg time
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The prospectus is available in English, French, German, Italian, Spanish and Portuguese.

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