The Allspring Core Plus Bond Differentiators

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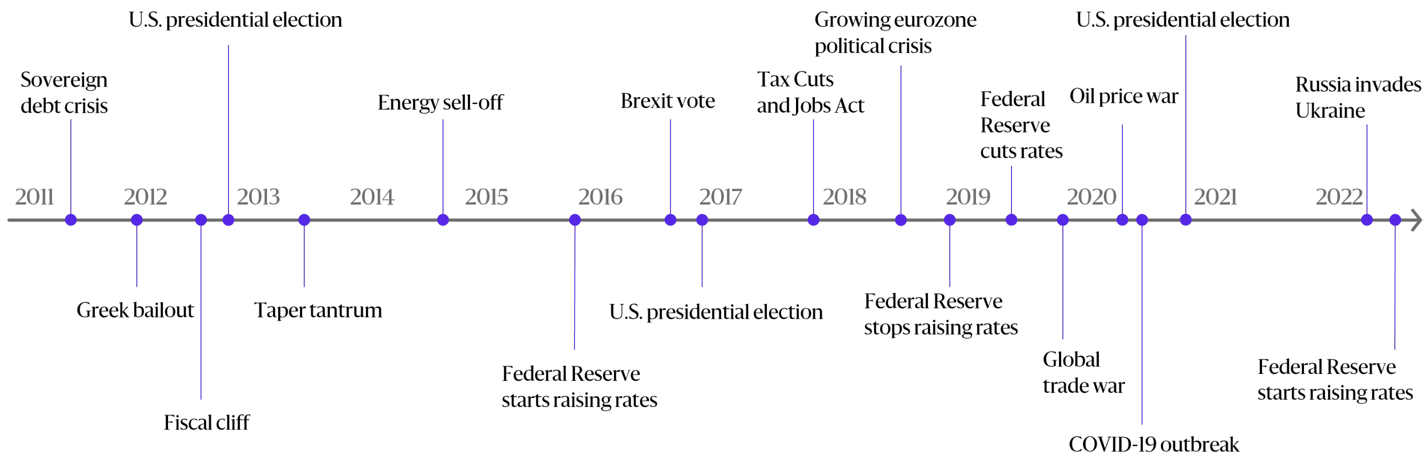
Impacts of using a six-month outlook

Adding value in foundational fixed income

We believe the core plus bond category offers a compelling and efficient way to source the income, volatility profile, and total returns that investors desire when choosing a foundational fixed income portfolio. The category offers investors the opportunity to add incremental yield and return through exposures in more sectors, geographic markets and currencies than the core bond category. For a modest increase in volatility, core plus portfolios have produced attractive results. As of 12/31/2022, 85% of core plus funds produced positive excess return (ER) to the benchmark over the prior 10 years versus 49% of core bond funds. For those funds that outperformed the index, the annualized ER for core plus funds was 0.57% versus 0.37% for the core bond funds, per Morningstar.

In this note, we offer a deeper exploration of our differentiated investment horizon, which is grounded in our six-month outlook. This view helps us regularly challenge the status quo and continually stay focused on emerging risks and opportunities. Much can happen over a period of even a few years, and our approach differs from strategies that are managed for multi-year market trends or themes. Below we highlight several key events that occurred in the last decade and that had the capacity to drastically shift relative values across risk markets.



The six-month mindset

Our team believes that we can build superior portfolios that deliver more attractive risk-adjusted returns by focusing our investment horizon on a rolling six-month time frame. Each day, we consider how we expect economic conditions to change over the next few months and ask ourselves, over the next six months:

- How will monetary policy change?
- What is our outlook for corporate fundamentals?
- Will rates be higher or lower?
- Will credit spreads widen or narrow?

Stronger inputs + more dynamic allocations = improved risk profile

Rather than try to guess how these conditions may change over a three- or five-year period, our team stays grounded in what is happening in the markets in real time. Keeping the time horizon shorter has three important benefits:

01 Having higher conviction in our outlook leads to stronger inputs and, therefore, higher-quality output. For example, predicting interest rates over a two- to three-year period is often more difficult than forecasting where rates may be in six months. Similarly, the outlook for credit in a given cycle is clearer over a shorter period than on a multi-year basis.

02 A more nimble and dynamic portfolio can take advantage of smaller but more frequent market opportunities.

03 The six-month horizon reduces the risk of dogmatic views and inertia that can result in entrenched misallocations and lengthy or severe periods of underperformance. Our approach remains unbiased.

Managing common portfolio biases

> "I was going to insert a quote about inertia, but it was easier not to.

JANET RILLING, CFA
Senior Portfolio Manager
Head of Allspring Plus Fixed Income Team

We believe there are two common biases in managing portfolios. First, the allure of thinking one has made the right call and the associated ability to overlook contradictory evidence is powerful. Second, and equally powerful, is the urge to make small, incremental changes anchored to current positioning—to "dip a toe in the water". Our team has formal systems in place as part of our six-month outlook to challenge each of these biases and to stay focused on building better portfolios.

Monitor the current macroeconomic landscape to see the forest for the trees

The team maintains a global database of economic indicators across sectors, markets and countries that covers more than 500 data points. The team regularly updates and reviews this data to quickly identify and analyze potential inflection points in the markets and, therefore, investment opportunities. Regularly reviewing this information helps the team separate "signal from noise" while also informing and improving the team's sector-level forecasts.

Form a stronger foundation by looking to the past

The team invests across sectors, countries and currencies in the fixed income markets, which opens up opportunities but also adds complexity to the asset allocation process. To manage this complexity, the team uses a multi-step approach that integrates both quantitative and qualitative processes to add rigor and improve decision-making.

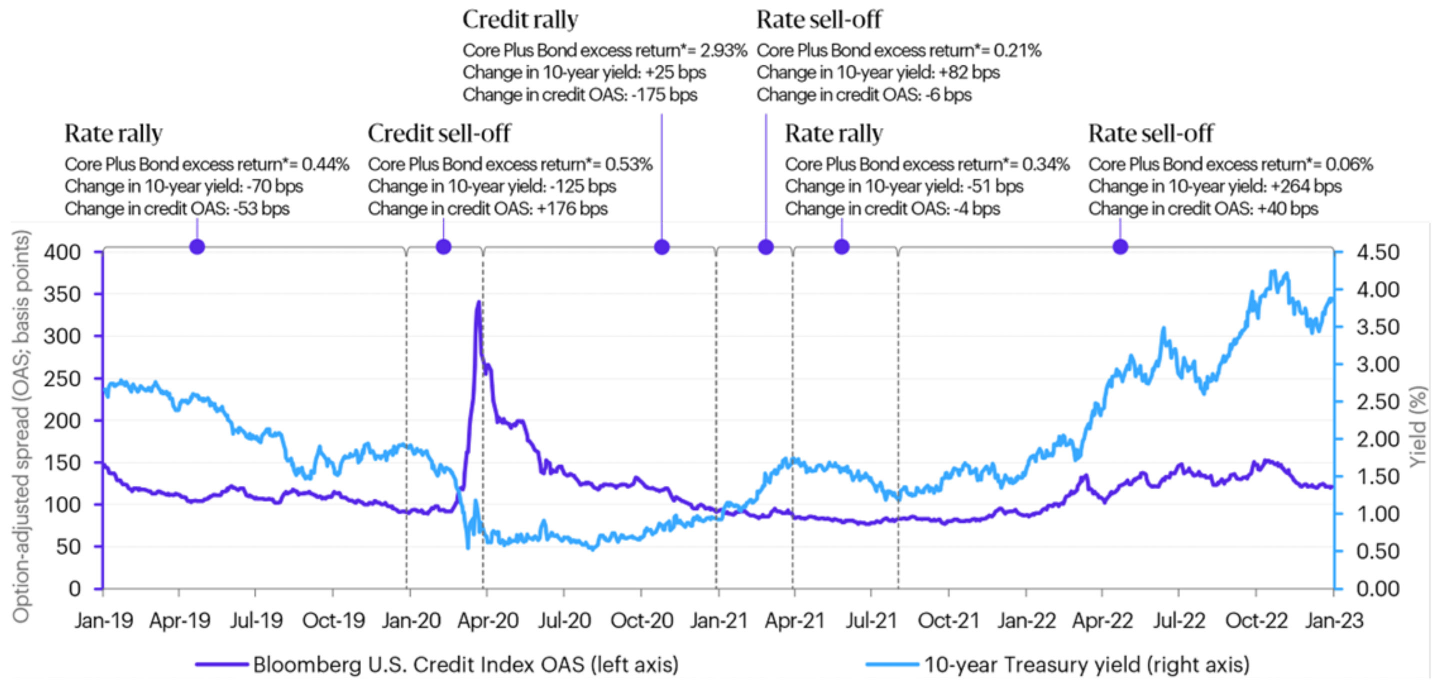
ALLSPRING CORE PLUS BOND FUND (WIPIX)

TOTAL RETURN % - 12/31/2022	1 YEAR	3 YEAR	5 YEAR	10 YEAR
Allspring Core Plus Bond – Inst'l Class (WIPIX)	-13.69	-1.17	1.07	2.24
Bloomberg U.S. Aggregate Bond Index	-13.01	-2.71	0.02	1.06
Morningstar category (Intermediate Core Plus Bond)	-13.27	-2.43	0.15	1.25
Morningstar category rank % (Intermediate Core Plus Bond)	53	9	8	6
# of funds in category (Intermediate Core Plus Bond)	621	563	511	368

Source: Morningstar Direct, return data and category data as of 12/31/2022. *Returns for periods of less than one year are not annualized.

Figures quoted represent past performance, which is no guarantee of future results, and do not reflect taxes that a shareholder may pay on an investment in a fund. *Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted and assumes the reinvestment of dividends and capital gains. Current month-end performance is available at the funds' website, allspringglobal.com.*

The manager has contractually committed to certain fee waivers and/or expense reimbursements. Without these reductions, the fund's returns would have been lower and rankings may have been lower. These reductions may be discontinued.



*Excess return relative to the Morningstar Intermediate Core Plus category average over each time period. For the full period 1/1/2019 - 12/31/2022, the Core Plus Bond Fund ranked 59 out of 575 funds in the Morningstar Intermediate Core-Plus Bond category, resulting in a percentile ranking of 9%.

Sources: Morningstar Direct and Bloomberg. LUCROAS Index and 10-year U.S. Treasury yield. As of 12/31/2022.

MARKET ENVIRONMENT	ALLSPRING CORE PLUS BOND EXCESS RETURN (ER) %		HOW OUR SIX-MONTH OUTLOOK DROVE PORTFOLIO POSITIONING
Rate rally 1/1/19–12/31/19	0.73 0.44	ER to benchmark ER to category	Treasury yields fell during this time period and credit spreads narrowed back near post–Great Financial Crisis tights. While we expected continued slow economic growth, we reduced exposure to credit and plus sectors while maintaining a neutral duration given that compensation for risk had become less attractive.
Credit sell-off 1/1/20–3/31/20	-3.72 0.53	ER to benchmark ER to category	The de-risking we accomplished throughout 2019 left us with ample optionality as spreads jumped to decade wides with the onset of the pandemic. We exploited relative values across plus and core sectors, through the new issue and secondary markets and tactically traded curve shape while maintaining our neutral duration.
Credit rally 4/1/20–12/31/20	8.05 2.93	ER to benchmark ER to category	Spreads narrowed from their pandemic wides and we sold into this strength as compensation for risk-taking diminished. Treasury yields bottomed in August 2020 and we began to adopt a short duration posture given our expectations that yields would rise and that the Federal Reserve (Fed) would be forced to change monetary policy earlier than expected by markets.
Rate sell-off 1/1/21–3/31/21	1.02 0.21	ER to benchmark ER to category	Our short duration posture was additive as Treasury yields rose meaningfully in the first quarter of 2021. Markets were continuing to expect inflation to be "transitory" while we added Treasury Inflation-Protected Securities exposure, driven by our views that inflation would be persistent.
Rate rally 4/1/21–7/31/21	0.29 0.34	ER to benchmark ER to category	Rates rallied after the Fed passed on the opportunity to announce the tapering of balance sheet purchases. Our six-month outlook continued to favor a short duration posture as we believed rates would reverse course and move higher. We had been reducing plus and credit exposure on narrowing spreads, yet we still had exposure to these areas, which benefited the portfolio throughout the rate rally in 2021.
Rate sell-off 8/1/21–12/31/22	-0.32 0.06	ER to benchmark ER to category	At the September 2021 Federal Open Market Committee meeting, the Fed announced the tapering of balance sheet purchases and set the stage for hiking the federal funds rate. Our outlook continued to favor a short duration posture through year-end and into early 2022. We collapsed this short position as rates rose and treasuries were no longer historically expensive. We trimmed plus exposure throughout the summer and added back some small positions on the volatility prompted by the Omicron variant of COVID-19. The Fed raised rates by 425 basis points in 2022 and credit spreads widened. We reduced our allocation to U.S. investment-grade credit and added to securitized in the second half of the year. We trimmed Plus exposure in the fourth quarter, though we added to European credit and FX-hedged global government sovereign bonds. We ended the period with a late- cycle credit posture and duration very modestly long relative to the benchmark.

Final decisions informed by decades of investment experience

Asset allocation targets are arrived at by incorporating the results of the quantitative process, the team's forward-looking expectations and the team's fundamental macroeconomic and sector-level analyses. The senior members of the investment team debate the allocation proposals and work towards consensus. If consensus is not achieved, it is an important signal to the team to reduce the active sector allocations. Once consensus is reached, the sector specialist portfolio managers put the team's strategic asset allocations in place by working with the relevant credit research analysts on the 60-member-plus Allspring Global Credit Research team to populate the portfolio. Thorough, independent, fundamental credit research is performed on every security, adding another layer of risk management and alpha potential through the consideration of relative value.

The six-month outlook in practice

Since the end of 2018, fixed income investors have experienced a number of distinct market environments. In order to successfully navigate each of these periods, a portfolio would have required a different set of allocations, risk exposures and duration postures. By leveraging our six-month outlook and avoiding large, top-down portfolio positioning driven by multi-year or thematic trades, we were able to successfully manage through these dynamic markets and consistently generate excess return relative to the index and peers.

For more information

We want to help clients build for successful outcomes, defend portfolios against uncertainty and create long-term financial well-being. To learn more, investment professionals can contact us.

Contact details

- To reach our U.S.-based investment professionals, contact your existing client relations director, or contact us at AllspringInstitutional@allspringglobal.com.
- To reach our U.S.-based intermediary sales professionals, contact your dedicated regional director, or call us at **1-888-877-9275**.
- To reach our U.S.-based retirement professionals, contact Nathaniel Miles, head of Retirement at Allspring Global Investments, at nathaniel.s.miles@allspringglobal.com.

Carefully consider a fund's investment objectives, risks, charges, and expenses before investing. For a current prospectus and, if available, a summary prospectus, containing this and other information, visit allspringglobal.com. Read it carefully before investing.

The views expressed and any forward-looking statements are as of December 31, 2022, and are those of Janet Rilling, CFA, portfolio manager; Noah Wise, CFA, portfolio manager; Daniel Sarnowski, portfolio specialist; and/or Allspring Global Investments. Discussions of individual securities, or the markets generally, are not intended as individual recommendations. Future events or results may vary significantly from those expressed in any forward- looking statements. The views expressed are subject to change at any time in response to changing circumstances in the market. Allspring Global Investments disclaims any obligation to publicly update or revise any views expressed or forward-looking statements.

Bond values fluctuate in response to the financial condition of individual issuers, general market and economic conditions, and changes in interest rates. Changes in market conditions and government policies may lead to periods of heightened volatility in the bond market and reduced liquidity for certain bonds held by the fund. In general, when interest rates rise, bond values fall and investors may lose principal value. Interest rate changes and their impact on the fund and its share price can be sudden and unpredictable. Loans are subject to risks similar to those associated with other below-investment-grade bond investments, such as risk of greater volatility in value, credit risk (for example, risk of issuer default), and risk that the loan may become illiquid or difficult to price. The use of derivatives may reduce returns and/or increase volatility. Certain investment strategies tend to increase the total risk of an investment (relative to the broader market). This fund is exposed to foreign investment risk, high-yield securities risk, and mortgage- and asset-backed securities risk. High-yield securities have a greater risk of default and tend to be more volatile than higher-rated debt securities. Consult the fund's prospectus for additional information on these and other risks.

Morningstar total return rankings for the Allspring Core Plus Bond Fund Institutional Class are 286 of 621 intermediate core-plus bond funds for the 1-year period, 53 of 563 funds for the 3-year period, 45 of 511 funds for the 5-year period, and 15 of 368 funds for the 10-year period as of 12/31/2022. Morningstar rankings represent a fund's total return rank relative to all funds that have the same category. The percentile ranking is based on the fund's total return percentile rank relative to all funds that have the same category for the same time period. The highest (most favorable) percentile rank is 1% and the lowest (least favorable) percentile rank is 100%. Morningstar rankings do not include the effect of sales charges. **Past performance is no guarantee of future results.**

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