

# Allspring High Yield Bond Fund

## GENERAL FUND INFORMATION

**Ticker:** EKHIX

**Portfolio managers:**

Chris Lee, CFA<sup>®</sup>;  
and Michael J. Schueller, CFA<sup>®</sup>

**Subadvisor:** Allspring Global Investments, LLC

**Category:** High yield bond

## FUND STRATEGY

- Seeks to outperform the broad high-yield fixed-income market (represented by the ICE BofA U.S. High Yield Constrained Index) over a full market cycle
- Principally invests in below-investment-grade debt securities of corporate issuers, including traditional corporate bonds, convertible bonds, and loans
- Uses security selection, comprehensive research and tactical portfolio management to capitalize on opportunities in rapidly evolving credit markets
- Employs a 6-month horizon to identify bonds with spread tightening catalysts and anticipate market inflection points
- Seeks diversified sources of alpha and seeks to capitalize on mispriced risk in the leverage finance markets

## Quarterly review

- The Allspring High Yield Bond Fund outperformed its benchmark, the ICE BofA U.S. High Yield Constrained Index, for the three-month period that ended March 31, 2024.
- Security selection contributed to performance during the quarter followed by contributions from sector allocation, duration, and curve positioning. Quality allocation was a detractor as the lowest-quality securities outperformed during the period.

## Market review

High yield and leveraged loans generated strong performance during the first quarter of 2024 as a continuation of the risk rally from the fourth quarter of 2023 drove demand, pushing bond and loan prices higher. However, credit quality showed ongoing signs of erosion as higher borrowing costs drove interest coverage lower and leverage higher across the high yield landscape, though these metrics remain at historically constructive levels. Trailing 12-month speculative-grade default rates stabilized during the quarter, albeit at a very slow pace. Bond and loan defaults stood at 2.59% and 3.52%, respectively, as of March 31, 2024, up from ~2% at the start of 2023 and 0.4% at the start of 2022 though down slightly from the levels seen in October 2023. Official statistics showed solid economic growth in the fourth quarter of 2023 as a tight labor market and robust personal earnings allowed consumers to absorb higher prices and spend through the cycle.

Corporate debt issuance was very strong in the first quarter of 2024 as a surge of inflows into mutual funds and exchange-traded funds aligned with lower yields to incentivize borrowers to tap the market for fresh funding. Both bond and loan issuance rose materially during the quarter compared with 2023 volumes. The first quarter of 2024 marks the second-highest quarter of loan issuance on record. Many high yield and leveraged loan companies used a better technical backdrop to secure funding for upcoming maturities, reducing the so-called “maturity wall” to more manageable levels.

In short, during the first quarter of 2024, U.S. high yield bonds and loans benefited from a resilient macroeconomic backdrop and improved technicals. Prices rose and yields were slightly elevated, though spreads narrowed across the entire landscape. With many expecting these trends to continue through 2024, current valuations appear well aligned with an economic backdrop of decelerating inflation and slowing growth.

## AVERAGE ANNUAL TOTAL RETURNS (%) AS OF 3/31/2024\*

	3 MONTH	YEAR TO DATE	1 YEAR	3 YEAR	5 YEAR	10 YEAR	SINCE FUND INCEPTION (9/11/35)
High Yield Bond Fund-Inst	2.13	2.13	10.56	1.79	3.55	3.93	7.59
ICE BofA U.S. High Yield Constrained Index	1.52	1.52	11.14	2.25	4.04	4.37	—

\*Returns for periods less than one year are not annualized.

*Figures quoted represent past performance, which is no guarantee of future results, and do not reflect taxes a shareholder may pay on an investment in a fund. Investment return, principal value, and yields 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 fund’s website, [allspringglobal.com](http://allspringglobal.com). Institutional Class shares are sold without a front-end sales charge or contingent deferred sales charge.*

*The fund’s gross expense ratio is 0.70%. The fund’s net expense ratio is 0.53%. The manager has contractually committed, through December 31, 2024, to waive fees and/or reimburse expenses to the extent necessary to cap the fund’s total annual fund operating expenses after fee waivers at 0.53% for the Institutional Class. Brokerage commissions, stamp duty fees, interest, taxes, acquired fund fees and expenses (if any), and extraordinary expenses are excluded from the expense cap. Prior to or after the commitment expiration date, the cap may be increased or the commitment to maintain the cap may be terminated only with the approval of the Board of Trustees. Without this cap, the fund’s returns would have been lower. The expense ratio paid by an investor is the net expense ratio (the total annual fund operating expenses after fee waivers) as stated in the prospectus.*



# Allspring High Yield Bond Fund

## PORTFOLIO POSITIONING

### PORTFOLIO ATTRIBUTION\* AND STRATEGY

#### Duration—contributor

- The fund's duration was modestly short relative to the benchmark throughout the quarter, which contributed to performance as yields rose during the period.

#### Yield curve—contributor

- Curve positioning contributed to the fund's performance.
- An overweight allocation to the front end outperformed the intermediate area of the curve and was complemented by a small overweight to the long end of the curve, which also added to performance. Allocations in the 7- to 10-year portion of the curve slightly detracted from performance.

#### Quality—detractor

- Allocations to very highly rated cash and an underweight to very low rated credit detracted from the performance of the fund during the quarter. Outperformance in mid-quality credit was insufficient to offset performance in the wings of the credit spectrum.

#### Sector—contributor

- Allocations to energy, basic industry, and telecommunications generated solid performance, as did an allocation to leveraged loans. Allocations to health care, utilities, media, and cash detracted from performance.

#### Issue selection—contributor

- Security selection contributed to performance as a broad range of credit selections added value during the quarter. Select positions in basic industry, services, media, and retail added to performance while positions in telecommunications detracted.

\*Performance attribution is discussed gross of expenses. The gross-of-expenses performance attribution does not reflect the deduction of the fund's expenses as shown in the prospectus.



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## PORTFOLIO CHARACTERISTICS

	ALLSPRING HIGH YIELD BOND FUND	ICE BOFA U.S. HIGH YIELD CONSTRAINED INDEX
Avg. eff. duration	2.91	3.27
Avg. eff. maturity (yrs.)	4.04	4.41
30-day SEC yield	7.31%	—

## CREDIT-QUALITY ALLOCATION (%)<sup>1</sup>

	FUND	ICE BOFA U.S. HIGH YIELD CONSTRAINED INDEX
BBB/Baa	4.94	0.88
BB/Ba	41.14	47.21
B/B	37.72	38.54
CCC/Caa and below	11.62	13.37
Not rated	0.75	0.00
Cash & equivalents	3.83	0.00

## SECTOR ALLOCATION (%)

	FUND	ICE BOFA U.S. HIGH YIELD CONSTRAINED INDEX
Cash & equivalents	3.83	0.00
Consumer discretionary	21.28	20.00
Consumer staples	9.20	11.54
Energy	17.37	12.14
Financials	14.65	9.02
Industrials	10.76	20.51
Information technology	5.06	7.45
Real estate	1.52	2.22
Utilities	7.06	2.94
Communication services	9.27	14.18

1. The ratings indicated are from Standard & Poor's, Fitch Ratings, and/or Moody's Investors Service. The percentages of the fund's portfolio with the ratings depicted in the chart are calculated based on the total investments of the fund. If a security was rated by all three rating agencies, the median rating was used. If a security was rated by two of the three rating agencies, the lower rating was used. If a security was rated by one of the agencies, that rating was used.

Portfolio characteristics, sector weights, and allocations are subject to change and may have changed since the date specified.

Small differences in rounding may occur and percentages may not add up to 100%.

The fund's 30-day unsubsidized SEC yield is 7.14%.

## FUND FACTS

Inception date	9/11/1935
Net expense ratio—Inst	0.53%
Assets—all share classes	\$291.75M

## RANKINGS AND RATINGS

Morningstar total return rankings—Institutional Class (as of 3/31/2024)

MORNINGSTAR CATEGORY	HIGH YIELD BOND
1 year	279 out of 666
3 year	342 out of 606
5 year	291 out of 575
10 year	N/A

Overall Morningstar Rating™ **★★★★**

The Overall Morningstar Rating, a weighted average of the 3-, 5-, and 10-year (if applicable) ratings, is out of 606 funds in the High yield bond category, based on risk-adjusted returns as of 3/31/2024.

## SHARE CLASS AVAILABILITY

SHARE CLASS	TICKER	GROSS EXPENSE RATIO (%)	NET EXPENSE RATIO (%)	CONTRACTUAL EXPENSE RATIO WAIVER DATE
A	EKHAX	1.02	0.92	12/31/2024
C	EKHCX	1.77	1.67	12/31/2024
Admin	EKHYX	0.97	0.80	12/31/2024
Inst	EKHIX	0.70	0.53	12/31/2024

The manager has contractually committed to waive fees and/or reimburse expenses to the extent necessary to cap the fund's total annual fund operating expenses after fee waivers at 0.92% (A), 1.67% (C), 0.80% (Admin), and 0.53% (Inst). Brokerage commissions, stamp duty fees, interest, taxes, acquired fund fees and expenses (if any), and extraordinary expenses are excluded from the expense cap. Prior to or after the commitment expiration date, the cap may be increased or the commitment to maintain the cap may be terminated only with the approval of the Board of Trustees. Without this cap, the fund's returns would have been lower. The expense ratio paid by an investor is the net expense ratio (the total annual fund operating expenses after fee waivers) as stated in the prospectus.



# Allspring High Yield Bond Fund

## BENCHMARK DESCRIPTIONS:

The ICE BofA U.S. High Yield Constrained Index is a market-value-weighted index of all domestic and Yankee high-yield bonds, including deferred interest bonds and payment-in-kind securities. Issues included in the index have maturities of one year or more and have a credit rating lower than BBB-/Baa3 but are not in default. The ICE BofA U.S. High Yield Constrained Index limits any individual issuer to a maximum of 2% benchmark exposure. You cannot invest directly in an index.

The Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food, and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them. Changes in the CPI are used to assess price changes associated with the cost of living. The CPI is one of the most frequently used statistics for identifying periods of inflation or deflation. You cannot invest directly in an index.

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## DEFINITION OF TERMS:

**30-day SEC yield:** The 30-day SEC yield is calculated with a standardized formula mandated by the SEC. The formula is based on maximum offering price per share and includes the effect of any fee waivers. Without waivers, yields would be reduced. The 30-day unsubsidized SEC yield does not reflect waivers in effect. A fund's actual distribution rate will differ from the SEC yield, and any income distributions from the fund may be higher or lower than the SEC yield.

**Alpha:** measures the difference between a fund's actual returns and its expected performance given its level of risk (as measured by beta).

**Beta:** measures fund volatility relative to general market movements. It is a standardized measure of systematic risk in comparison with a specified index. The benchmark beta is 1.00 by definition.

**Credit-quality ratings:** Credit-quality ratings apply to underlying holdings of the fund and not the fund itself. Standard & Poor's and Fitch rate the creditworthiness of bonds from AAA (highest) to D (lowest). Standard & Poor's rates the creditworthiness of short-term notes from SP-1 (highest) to SP-3 (lowest). Ratings from A to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories. Moody's rates the creditworthiness of bonds from Aaa (highest) to CC (lowest). Ratings Aa to B may be modified by the addition of a number 1 (highest) to 3 (lowest) to show relative standing within the ratings categories. Moody's rates the creditworthiness of short-term U.S. tax-exempt municipal securities from MIG-1/VMIG-1 (highest) to SG (lowest). Credit quality and credit-quality ratings are subject to change.

**Duration:** Duration is a measurement of the sensitivity of a bond's price to changes in Treasury yields. A fund's duration is the weighted average of duration of the bonds in the portfolio. Duration should be interpreted as the approximate change in a bond's (or fund's) price for a 100-basis-point change in Treasury yields. Duration is based on historical performance and does not represent future results.

**Yield curve:** The yield curve is a graphical representation of fixed-income security yields (usually U.S. Treasuries) at their respective maturities, starting with the shortest time to maturity and sequentially plotting in a line chart to the longest maturity. The yield curve is based on historical performance and does not represent future results.



# Allspring High Yield Bond Fund

**Risks:** 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. The use of derivatives may reduce returns and/or increase volatility. High-yield securities have a greater risk of default and tend to be more volatile than higher-rated debt securities. Loans are subject to risks similar to those associated with other below-investment-grade bond investments, such as credit risk (for example, risk of issuer default), below-investment-grade bond risk (for example, risk of greater volatility in value), and risk that the loan may become illiquid or difficult to price. This fund is exposed to foreign investment risk. Consult the fund's prospectus for additional information on these and other risks.

The Morningstar Rating for funds, or star rating, is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar risk-adjusted return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The Morningstar Rating does not include any adjustment for sales loads. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its 3-, 5-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% 3-year rating for 36–59 months of total returns, 60% 5-year rating/40% 3-year rating for 60–119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent 3-year period actually has the greatest impact because it is included in all three rating periods.

Across U.S.-domiciled high yield bond funds, the High Yield Bond Fund received 3 stars among 606 funds, 3 stars among 575 funds, and 4 stars among 432 funds for the 3-, 5-, and 10-year periods, respectively. The Morningstar Rating is for the Institutional Class only; other classes may have different performance characteristics.

The Morningstar absolute ranking is based on the fund's total return rank relative to all funds that have the same category for the same time period. Morningstar rankings do not include the effect of sales charges. **Past performance is no guarantee of future results.**

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Some of Morningstar's proprietary calculations, including the Morningstar Rating, are not customarily calculated based on adjusted historical returns. However, for new share classes/channels, Morningstar may calculate an extended-performance Morningstar Rating. The extended performance is calculated by adjusting the historical total returns of the oldest share class of a fund to reflect the fee structure of the younger share class/channel, attaching this data to the younger share class's performance record, and then compounding the adjusted plus actual monthly returns into the extended-performance Morningstar risk-adjusted return for the 3-, 5-, and 10-year time periods. The Morningstar risk-adjusted returns are used to determine the extended-performance Morningstar Rating. The extended-performance Morningstar Rating for this fund does not affect the retail fund data published by Morningstar, as the bell curve distribution on which the ratings are based includes only funds with actual returns. The Overall Morningstar Rating for multi-share funds is based on actual performance only or extended performance only. Once the share class turns three years old, the Overall Morningstar Rating will be based on actual ratings only. The Overall Morningstar Rating for multi-share variable annuities is based on a weighted average of any ratings that are available. While the inclusion of pre-inception data in the form of extended performance can provide valuable insight into the probable long-term behavior of newer share classes of a fund, investors should be aware that an adjusted historical return can provide only an approximation of that behavior. For example, the fee structures of a retail share class will vary from that of an institutional share class, as retail shares tend to have higher operating expenses and sales charges. These adjusted historical returns are not actual returns. The underlying investments in the share classes used to calculate the pre-performance string likely will vary from the underlying investments held in the fund after inception. Calculation methodologies used by Morningstar may differ from those applied by other entities, including the fund itself.

The inception date of the Institutional Class was October 31, 2014. Historical performance shown for the Institutional Class prior to its inception reflects the performance of the Administrator Class and is not adjusted to reflect the Institutional Class expenses. If these expenses had been included, returns for the Institutional Class would be higher. Historical performance shown for all classes of the fund prior to July 12, 2010, is based on the performance of the fund's predecessor, the Evergreen High Income Fund.

The views expressed and any forward-looking statements are as of March 31, 2024, and are those of the fund managers 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 any forward-looking statements.

*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](http://allspringglobal.com). Read it carefully before investing.*

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