

Equity Income: Take It or Leave It?



AUTHORS

WAI LEE, PH.D.

+ Senior Portfolio Manager
Multi-Asset Solutions

SOPHIE SCOTT, CFA

+ Senior Portfolio Specialist
Systematic Core Equity

MISHA JORDAN

+ Portfolio Specialist Associate
Systematic Core Equity

Receive regular income or reinvest for growth

What's your investment objective? The answer is likely to change over time. Early in an investor's working life, growing wealth (**accumulation phase**) is typically their number one goal. Once retired, that goal shifts to receiving a stable income to cover lifestyle needs and continuing to grow wealth to provide for loved ones (**decumulation phase**).

The answer often changes over time, but this doesn't mean that your portfolio needs to change as well. What if investors could identify a portfolio that quite literally might last a lifetime?

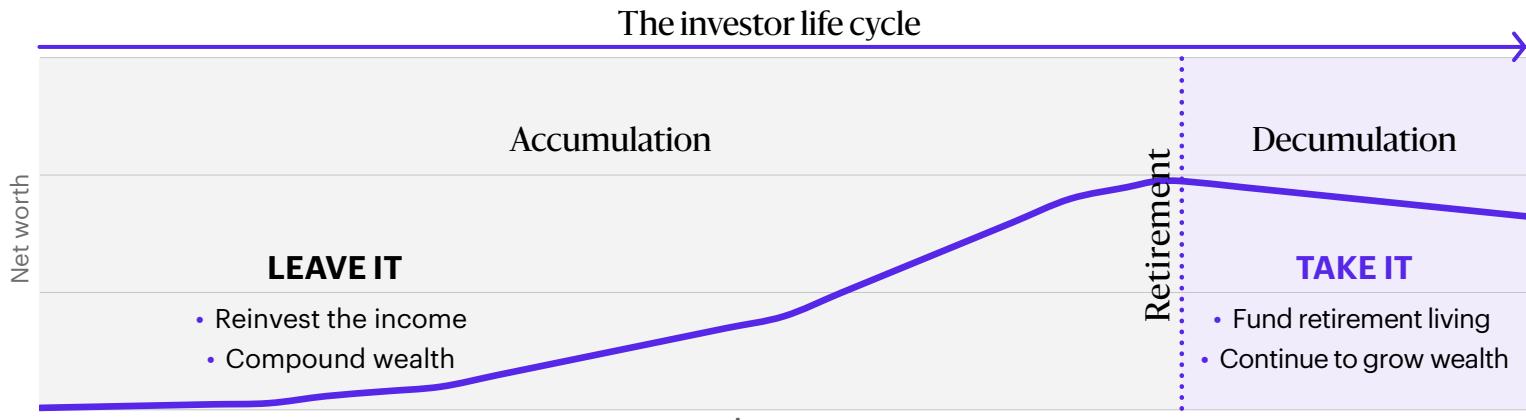
Allspring's Global Equity Enhanced Income (GEEI) strategy is designed with the goal of doing just that—provide a high level of consistent income with strong capital growth, delivered in a well-balanced, diversified, global equity portfolio.

When it comes to generating income, we believe GEEI can deliver an excellent core portfolio that reflects investors' near-term and longer-term goals, allowing them to take it or leave it:

Accumulation: Throughout the investor's working life, **leave it**—reinvesting the income to compound for long-term capital appreciation.

Decumulation: During retirement, **take it**—switching on the income stream while continuing to grow wealth (Figure 1).

FIGURE 1: GENERATING INCOME ACROSS THE INVESTOR LIFE CYCLE



For illustrative purposes only.

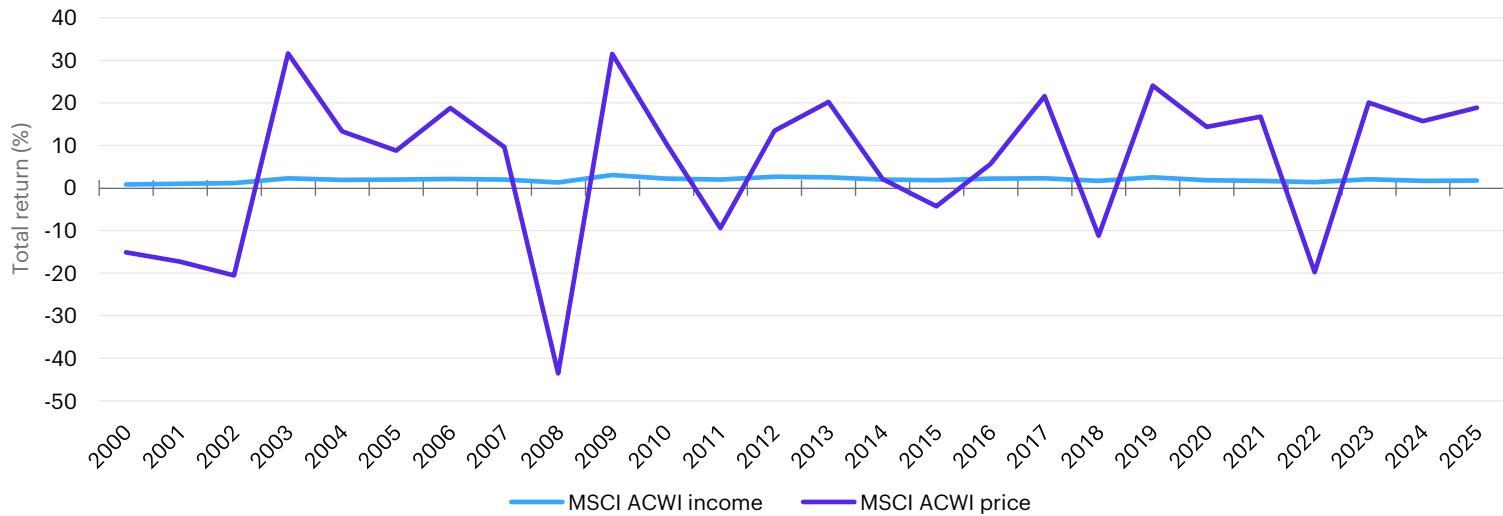
An equity income approach such as GEEI can help investors meet their goals throughout their investment life cycle by harnessing the power of income (see "The Power of Income" on the following page). But a big shift in recent years toward growth has taken focus away from income. That shift has also perpetuated several myths about income that could distract investors from their goals. Beginning on page 3, we consider three equity income myths and demonstrate how the Global Equity Enhanced Income strategy is designed to harness the power of income.



The power of income: Consistency and compounding

The average annual yield on the Morgan Stanley Capital International (MSCI) All Country World Index (ACWI) (net) has been roughly 2.3% over the past 25 years. This may sound low on a standalone basis, but the consistency is compelling, with a volatility of just 1% over that period. Compare this with the index's price return, which had a volatility of 18%. Bottom line: Income is the most consistent part of total return (Figure 2).

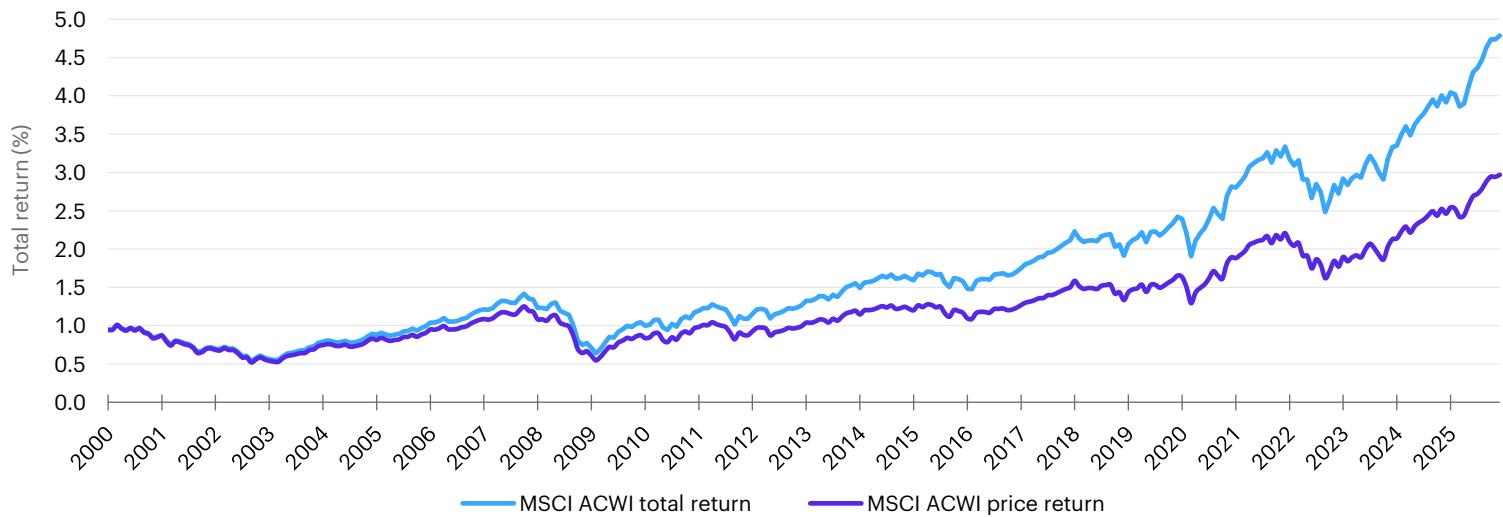
FIGURE 2: THE MSCI ACWI HAS PROVIDED CONSISTENT INCOME OVER TIME



Sources: MSCI and Allspring, January 1995 to December 2025

Figure 3 illustrates the power of compounding. The violet line shows the price return of MSCI ACWI, whereas the blue line shows the total return (price + income). Reinvesting income over time has the potential to contribute to much greater returns. Importantly, those investors taking income each year would still have grown the initial amount substantially over that time.

FIGURE 3: REINVESTING INCOME CONTRIBUTED TO GREATER RETURNS



Sources: MSCI and Allspring, January 1990 to December 2025

Having a greater proportion of total return coming from a more stable component (i.e., income) should provide a more consistent overall return profile over time.



Equity income myth busters

Myth 1: Dividends are not guaranteed and are therefore unreliable

While dividends are not guaranteed like a bond coupon, the yield on the MSCI All Country World Index (ACWI) has remained fairly consistent over time. Dividends are a tool companies use to reward investors and to demonstrate a healthy business that's able to continue to pay. In most cases, companies will do all they can to fulfil dividend payments to ensure investors do not lose confidence in the viability of the business. However, as in 2020 during the COVID-19 pandemic, some businesses were temporarily forced to cut or suspend their dividend entirely. While these events don't happen often, they do present a risk to investors who rely on regular dividend payments to support their lifestyle or contribute to their overall total return.

Allspring approach: Two sources of income (dividends and options) aiming for a consistent yield

Allspring's GEEI targets approximately two-thirds of its distribution yield from dividends and equities (~4–5%) and one-third from options (~1–2%).

At the heart of our approach is a proprietary stock selection model that seeks attractively valued companies with high-quality earnings and supportive momentum.

Portfolio managers then validate fundamental metrics such as cash flows, margins, and company expenditures by analyzing publicly available information from company management conference calls and industry events. By focusing on mispriced securities that also have strong quality characteristics and confirmation from the market, we aim to identify solid companies with sustainable dividends.

The GEEI options overlay seeks to enhance income from the equity exposure to meet our 6% annual target. We sell call options to generate premium in exchange for risking some of the uncertain equity market upside. Importantly, we sell options on indexes rather than on the individual stocks in the portfolio, to preserve stock-specific alpha.

The equities and options naturally offset each other, working together to help deliver a consistent income while helping to maximize total return.

Myth 2: Income strategies miss out on growth opportunities

Looking back at the past 10 years, it's easy to see how this myth has persisted—the high dividend version of the MSCI ACWI delivered double the yield at 3.47%, but total returns were disappointing.

The MSCI ACWI and MSCI ACWI Growth indexes outperformed the high dividend version by more than 300 basis points (bps; 100 bps equals 1%) and 500 bps per annum, respectively (Figure 4).

FIGURE 4: GROWTH DOMINATED OVER THE PAST 10 YEARS

INDEX	10-YEAR ANNUALIZED RETURNS
MSCI ACWI High Dividend	9.54%
MSCI ACWI	12.28%
MSCI ACWI Growth	14.30%

Source: MSCI and Allspring, 31-Dec-15 to 31-Dec-25.

Income stocks tend to be mature companies with strong business models and stable earnings that make them capable of paying dividends. Their capital growth tends to be stable. On the flip side, growth stocks—which generate higher capital growth—tend not to pay dividends as they reinvest earnings back into the company for continued growth. Income investors could miss out on growth opportunities and, as shown above, receive disappointing total returns.

Allspring approach: You don't have to sacrifice total return for the sake of income

A key objective for our strategy is to deliver income and total return. We seek to deliver on these objectives through strong stock selection, portfolio construction, and risk management. What differentiates our approach is our ability to hold non-dividend-paying stocks and our focus on beta management.

While most equity income portfolios require a dividend from each stock, we invest up to 10% of the portfolio in non-dividend payers. This allows us to access growth opportunities across the universe to help boost our overall total return.

In search of yield, many income strategies exhibit a lower beta due to focusing on less-volatile dividend-paying companies. This can subsequently strain their ability to generate market-like total returns.



As equity markets trend up over time, our goal is to capture as much of the upside as possible for investors. Therefore, to maximize long-term total returns, we explicitly manage the equity portfolio to target a beta of 1 to the benchmark.

Myth 3: The search for yield leads to concentration, structural underweights, and significant style biases

Certain sectors and regions often pay higher dividends than others. These higher-paying sectors typically have stable cash flows, strong profitability, and lower volatility; for example, utilities, consumer staples, and energy. Lower-paying sectors include more growth-oriented sectors such as technology, biotechnology, and consumer discretionary. From a regional perspective, traditionally the U.K. boasts more dividend-paying companies whereas

the U.S. is the opposite.

This often results in portfolios that are heavily concentrated in high-dividend-paying sectors/regions and have structural underweights to low-dividend-paying sectors/regions.

Again, the MSCI indexes clearly show some of these themes playing out in their exposures. Relative to the MSCI ACWI and MSCI ACWI Growth indexes, the MSCI ACWI High Dividend index is underweight the U.S. and technology, and it is overweight the U.K., consumer staples, and energy. From a factor perspective, it is overweight value and low volatility while underweight momentum.

Left unchecked, focusing solely on generating high yield can result in an unbalanced portfolio subject to concentration risk, style risk, and the potential to miss out on growth opportunities.

FIGURE 5: FOCUSING SOLELY ON HIGH YIELD CAN LEAD TO UNBALANCED PORTFOLIOS

INDEX EXPOSURES		MSCI ACWI High Dividend	MSCI ACWI	MSCI ACWI Growth
DIVIDEND YIELD	U.S.	3.47%	1.67%	0.72%
	U.K.	48.70%	64.01%	64.47%
COUNTRY	Technology	5.00%	3.27%	2.42%
	Consumer staples	8.98%	27.22%	44.29%
SECTOR	Energy	14.72%	5.09%	2.82%
	Value	9.75%	3.40%	0.48%
FACTOR	Low volatility	Overweight	Modest underweight	Underweight
	Momentum	Overweight	Modest underweight	Underweight
		Underweight	Modest overweight	Overweight

Source: MSCI, as of 31-Dec-25. Selected exposures shown for illustrative purposes only.

Allspring approach: A truly global portfolio balanced across sectors, regions, and styles

We believe consistent income does not need to come at the expense of capital growth and diversification. GEEI seeks opportunities from the full breadth of the global equity market, with sector and region exposures +/- 5% relative to the benchmark. This is intended to avoid overweighting or underweighting certain areas of the market, which may lead to a more consistent global equity return profile.

Seeking to identify attractively valued companies with high-quality earnings fundamentals and strong market support helps keep the factor profile balanced and mitigates the risk of value traps. When substantial shifts

between growth and value play havoc in investors' portfolios, we believe this approach can deliver a more consistent return over time. We don't simply seek out the highest-yielding companies but the best companies that can deliver on income, growth, or a combination of the two.

An income strategy for a lifetime

Investors are faced with an increasing number of options for investing their wealth. Global Equity Enhanced Income is a versatile strategy that can offer investors a portfolio that meets their near-term and longer-term goals, allowing them to **take it or leave it**.



For further information

We're committed to thoughtful investing, purposeful planning, and the desire to deliver outcomes that expand above and beyond financial gains.

Click or scan the QR code to check out Allspring's insights:



Disclosures

CFA® and Chartered Financial Analyst® are trademarks owned by CFA Institute.

This marketing communication is for professional/institutional and qualified clients/investors only. Not for retail use. Recipients who do not wish to be treated as professional/institutional or qualified clients/investors should notify their Allspring contact immediately.

THIS CONTENT AND THE INFORMATION WITHIN DO NOT CONSTITUTE AN OFFER OR SOLICITATION IN ANY JURISDICTION WHERE OR TO ANY PERSON TO WHOM IT WOULD BE UNAUTHORIZED OR UNLAWFUL TO DO SO AND SHOULD NOT BE CONSIDERED INVESTMENT ADVICE, AN INVESTMENT RECOMMENDATION, OR INVESTMENT RESEARCH IN ANY JURISDICTION.

INVESTMENT RISKS: All investments contain risk. Your capital may be at risk. The value, price, or income of investments or financial instruments can fall as well as rise and is not guaranteed. You may not get back the amount originally invested. Past performance is not a guarantee or reliable indicator of future results.

Allspring Global Investments™(Allspring) is the trade name for the asset management firms of Allspring Global Investments Holdings, LLC, a holding company indirectly owned by certain private funds of GTCR LLC and Reverence Capital Partners, L.P. These firms include but are not limited to Allspring Global Investments Luxembourg, S.A.; Allspring Funds Management, LLC; Allspring Global Investments, LLC; Allspring Global Investments (UK) Ltd.; Allspring Global Investments (Singapore) Pte. Ltd.; Allspring Global Investments (Hong Kong) Ltd.; and Allspring Global Investments (Japan) Ltd.

Unless otherwise stated, Allspring is the source of all data (which is current or as of the date stated). Content is provided for informational purposes only. Views, opinions, assumptions, or estimates are not necessarily those of Allspring or their affiliates and there is no representation regarding their adequacy, accuracy, or completeness. They should not be relied upon and may be subject to change without notice. Any benchmark referenced is for comparison purposes only, unless specified.

Distribution in the United States: Allspring companies include but are not limited to Allspring Global Investments, LLC, and Allspring Funds Management, LLC. Certain products managed by Allspring entities are distributed by Allspring Funds Distributor, LLC (a limited-purpose broker-dealer and Member FINRA/SIPC). Associated with Allspring is Galliard Capital Management, LLC (an investment advisor that is not part of the Allspring trade name and GIPS company reporting).

Distribution in the United Kingdom (UK): This content is issued by Allspring Global Investments (UK) Ltd. (Allspring UK), an investment management company authorized and regulated by the United Kingdom Financial Conduct Authority (FCA), and is a limited company registered in England and Wales, company registration 03710963 and registered office at 30 Cannon Street, 3rd Floor, London, EC4M 6XH, United Kingdom.

This content has been approved for distribution in the UK by Allspring UK for the purposes of Section 21 of the Financial Services and Markets Act 2000 (FSMA). Allspring UK does not provide services to retail clients, the FSMA rules for retail clients will not apply, and the United Kingdom Financial Services Compensation Scheme is not available. Unless otherwise stated, information does not contain investment advice, an investment recommendation, or investment research as defined under FCA regulations and therefore does not comply with the requirements for the provision of such services.

Distribution in the European Economic Area (EEA): This content is issued by Allspring Global Investments Luxembourg S.A. (Allspring Luxembourg), a *société anonyme* registered with the Luxembourg Trade and Companies Registry under number B192268, registered office at 33 rue de Gasperich, H20 Building Floor 2, L-5826 Hesperange, Grand Duchy of Luxembourg. Allspring Luxembourg is authorized and regulated by the Commission de Surveillance du Secteur Financier. Allspring Luxembourg has branches in Frankfurt, Paris, and Milan with permissions to distribute on a cross-border basis in the EEA.

Distribution in Switzerland: This information does not contain investment advice, an investment recommendation, or investment research, as defined under the Markets in Financial Instruments Directive (Directive 2014/65/EU (MiFID II)(EU MiFID)) and equivalent Swiss FINSA or FINMA rules and therefore does not comply with the requirements for the provision of such services.

Distribution in Australia: This document is provided to prospective investors and, by receiving it, each prospective investor is deemed to represent and warrant that it is a "wholesale client" (as defined in Australian Corporations Act 2001 (Cth) (Act)). Allspring Global Investments (UK) Ltd. (Allspring UK) is exempt from the requirements to hold an Australian financial services license under the Corporations Act 2001 in respect of the financial services it provides to wholesale clients in Australia. Allspring UK is regulated and supervised by the FCA under the laws of the United Kingdom, which differ from Australian laws. Allspring Global Investments, LLC (Allspring Investments), is exempt from the requirements to hold an Australian financial services license under the Corporations Act 2001 in respect of the financial services it provides to wholesale clients in Australia. Allspring Investments is regulated by the United States Securities and Exchange Commission under U.S. laws, which differ from Australian laws.

Distribution in New Zealand: This information does not constitute an offer of financial products for issue requiring disclosure to an investor under Part 3 of the Financial Markets Conduct Act 2013 (N.Z.) (the Financial Markets Conduct Act (N.Z.)) or an offer of any other financial services requiring disclosure under the Financial Markets Conduct Act (N.Z.). Allspring Global Investments is not offering or selling any financial products or financial services to any persons in New Zealand other than from offshore and other than to a person who is an "investment business" within the meaning of clause 37 of Schedule 1 of the Financial Markets Conduct Act (N.Z.), or meets the investment activity criteria specified in clause 38 of Schedule 1 of the Financial Markets Conduct Act (N.Z.), or is "large" within the meaning of clause 39 of Schedule 1 of the Financial Markets Conduct Act (N.Z.), or is a government agency within the meaning of clause 40 of Schedule 1 of the Financial Markets Conduct Act (N.Z.).

Distribution in Singapore: This advertisement has not been reviewed by the Monetary Authority of Singapore. This material and the information contained herein are for general information only. Nothing in this material is to be construed as an offer, solicitation, or recommendation to buy or sell or subscribe for any security, unit in a fund, or any other financial product or instrument or to enter into any transaction or to participate in any particular trading or investment strategy. This material does not constitute a prospectus, information memorandum, offering document, or any other document required to be approved by, registered with, or lodged with the Monetary Authority of Singapore. This material and the information contained herein do not constitute investment advice or take into account the specific investment objectives, financial situation, or particular needs of any person.



Please seek advice from your professional advisor(s) before making any financial or investment decisions. This material and the information contained herein are directed only at, and intended only for, institutional investors and accredited investors (both as defined under the Securities and Futures Act 2001 of Singapore) and other classes of investors for which Allspring Global Investments (Singapore) Pte. Ltd. (Allspring Singapore), a capital markets services license holder for fund management regulated by the Monetary Authority of Singapore, is licensed to serve. This material and the information contained herein are not intended for, and should be disregarded by, any retail investor. For institutional and accredited investors only.

Distribution in Hong Kong: This document is distributed in Hong Kong by Allspring Global Investments (Hong Kong) Ltd., which is a Hong Kong-incorporated company licensed and regulated by the Securities and Futures Commission to carry on Types 1 and 4 regulated activities, as defined in the Securities and Futures Ordinance (Cap. 571 The Laws of Hong Kong; the SFO), subject to the following conditions: It shall not hold client assets and it shall provide services only to professional investors (the terms "hold," "client assets," and "professional investors" are as defined in the SFO and its subsidiary legislation). There may be information relating to funds that are not authorized for retail distribution and are available only to qualified professional investors. This document is not intended for, and should not be relied on by, any person other than professional investors (as defined in the SFO or the Securities and Futures (Professional Investor) Rules (Cap. 571D of The Laws of Hong Kong)). Neither the issue of this document nor the information contained in it has been approved or reviewed by any regulatory authority in Hong Kong.

Distribution in South Korea: This document is distributed in the Republic of Korea by Allspring Global Investments, LLC, which is registered with the Financial Services Commission pursuant to the Financial Investment Services and Capital Markets Act (the Act) to conduct investment advisory and discretionary investment business with qualified professional investors (as defined in the Act). This document is not intended for, and should not be relied on by, any person other than qualified professional investors.

Distribution in Japan: This information is a marketing communication, unless stated otherwise, for "qualified institutional investors," as defined in Article 10 of the Cabinet Office Ordinance on Definitions under Article 2 of the Financial Instruments and Exchange Act of Japan. Not for retail use. This material and the information contained herein do not constitute and are not intended to constitute investment advice or an offer of securities and accordingly should not be construed as such. Any products or services referenced in this material may not be licensed or registered in all jurisdictions, and, unless otherwise indicated, no regulator or government authority has reviewed this material or the merits of the products and services referenced herein. This material and the information contained herein have been made available in accordance with the restrictions and/or limitations implemented by any applicable laws and regulations. This material is directed at and intended for "qualified institutional investors," as defined in Article 10 of the Cabinet Office Ordinance on Definitions under Article 2 of the Financial Instruments and Exchange Act of Japan. This material is provided on a confidential basis for informational purposes only and may not be reproduced in any form. Allspring does not provide tax, legal, or accounting advice, and this material does not take an investor's personal investment objectives or financial situation into account. Before acting on any information in this material, prospective investors should inform themselves of and observe all applicable laws, rules, and regulations of any relevant jurisdictions and obtain independent advice if required. This material is for the use of the named addressee only and should not be given, forwarded, or shown to any other person (other than employees, agents, or consultants in connection with the addressee's consideration thereof).

Distribution in China: This material may not be provided, sold, distributed, or delivered to any person for forwarding or resale or redelivery, in any such case directly or indirectly, in the People's Republic of China (the PRC, excluding Hong Kong, Macau, and Taiwan) in contravention of any applicable laws. This material does not constitute an offer to sell or the solicitation of an offer to buy anything referred to in the material, expressly or implied, in the PRC (excluding Hong Kong, Macau, and Taiwan) to any person to whom it is unlawful to make the offer or solicitation in the PRC.

Distribution in Taiwan: Any investment management and advisory services will be provided by Allspring, which does not hold the required licenses under the Taiwan law. The provision of any investment management and advisory services has not been and will not be approved by the Financial Supervisory Commission of Taiwan. Any transaction will be consummated outside of Taiwan. The clients within the territory of Taiwan may be required to comply with certain qualification requirements and restrictions as set forth in the relevant laws and regulations of the jurisdiction where Allspring is registered.

Distribution in Indonesia: Investment management and advisory services will be provided to Indonesian clients from an Allspring office located outside the territory of Indonesia. No services are provided in the territory of Indonesia. Allspring is not licensed under Indonesian laws or supervised by the Otoritas Jasa Keuangan.

Distribution in Thailand: This material, when distributed in Thailand, is intended only for institutional investors, as defined in the Notification of the Office of the Securities and Exchange Commission No. KorNor. 43/2549 Re: Investment management not considered as private fund management dated 27 December 2006 (as may be amended). It is solely for the use of such investors and shall not be distributed, forwarded, passed on, or disseminated to any other person.

Distribution in Canada: Allspring Global Investments, LLC (Allspring Investments), is not registered as an investment advisor in any of the Canadian provinces, is only authorized to provide investment advisory services in Canada pursuant to an exemption available to foreign investment advisors under Canada's National Instrument 31- 103 (NI 31-103), and can provide such services only to permitted clients as defined under NI 31-103. Allspring Investments is registered as an investment advisor with the United States Securities and Exchange Commission. Its head office is located at 1415 Vantage Park Drive, 3rd Floor, Charlotte, NC 28203, and, thus, substantially all of its assets are situated outside of Canada. As a result, there may be difficulty enforcing legal rights against Allspring because of the above, and investors are directed to Blakes Vancouver Services, Inc., Allspring Investments' agent for service of process, in the event of any disputes at the following address, phone number, and email address: Blakes Vancouver Services, Inc., 595 Burrard Street, Suite 2600, Three Bentall Centre, Vancouver, BC V7X 1L3; tel: +1-604-631-3300; e-mail: lisa.marchese@blakes.com.

Distribution in the Bahamas: The information provided herein is intended solely for the designated recipient thereof. It is not an offer to the public. The information contained herein is for general informational purposes and is not deemed an offer to the public. Advice of local counsel in connection with information contained herein is recommended.

Distribution in the Cayman Islands: Allspring is not regulated in the Cayman Islands and is not licensed or otherwise authorized to carry on business, including securities investment business, in or from the Cayman Islands.

Distribution in Chile: Allspring may not offer or provide any of the products or services in Chile. Allspring is not regulated by the Chilean authorities and participation in any product or service is an offshore investment activity that is not subject to any Chilean supervision and is not guaranteed by any regulatory or governmental agency in Chile.

Distribution in Peru: Allspring and the services offered are subject to the laws and jurisdiction of the United States and are not regulated or supervised by any Peruvian entity or government authority.