Allspring

MARKETING COMMUNICATION

Equity Income: Take It *or* Leave It?

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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?

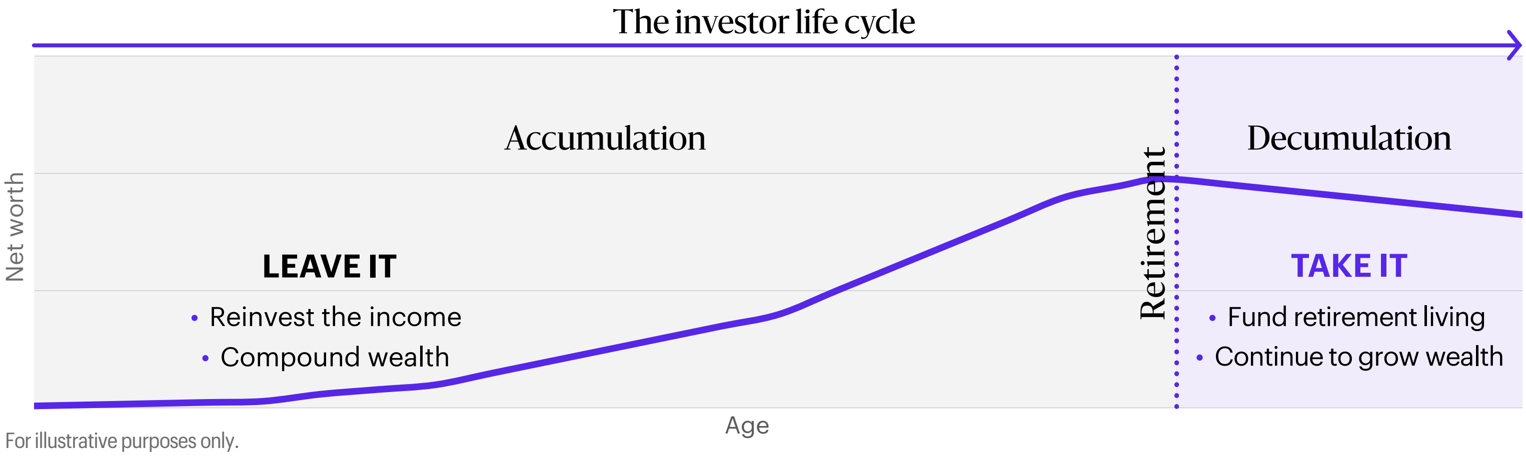
Allspring's Global Equity Enhanced Income (GEEI) strategy is designed with the goal of doing just that—provide a high level of consistent income with strong capital growth, delivered in a well-balanced, diversified, global equity portfolio.

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



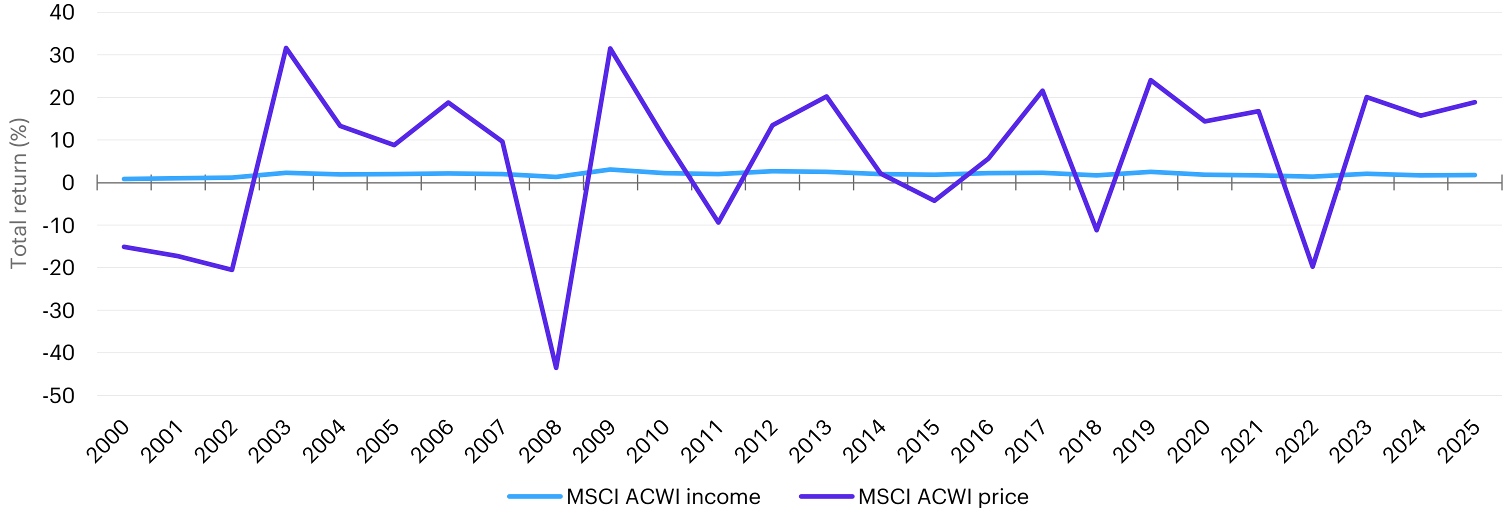
For illustrative purposes only.

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).

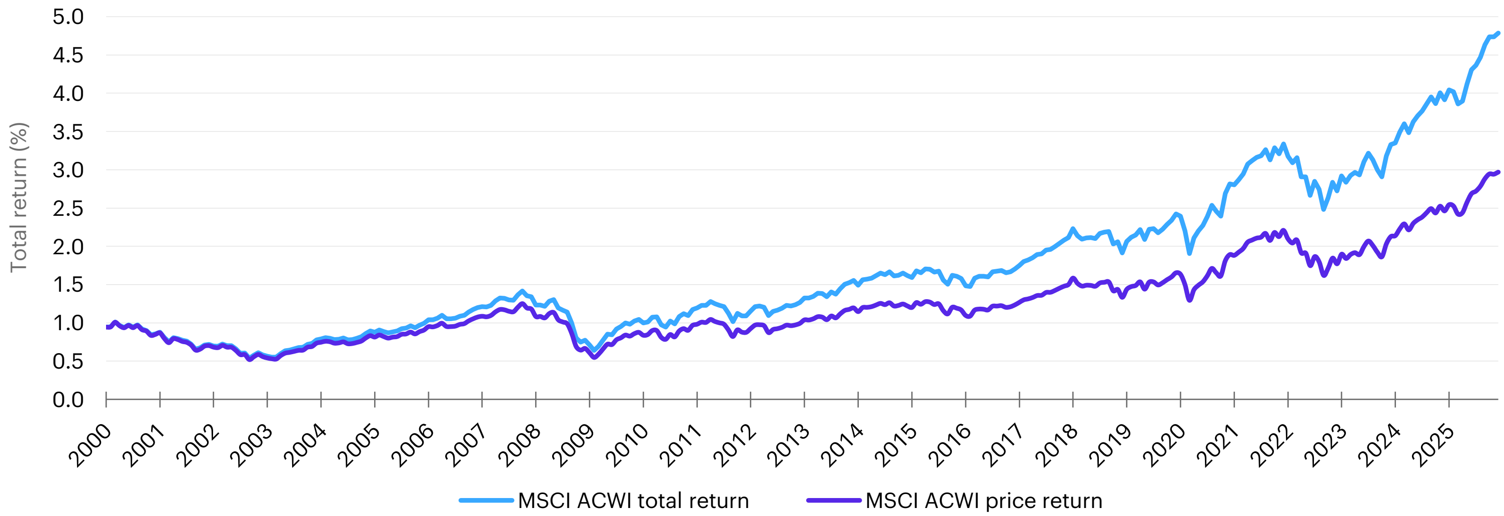
FIGURE 2: THE MSCI ACWI HAS PROVIDED CONSISTENT INCOME OVER TIME



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 slide, 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		3.47%	1.67%	0.72%
COUNTRY	U.S.	48.70%	64.01%	64.47%
	U.K.	5.00%	3.27%	2.42%
SECTOR	Technology	8.98%	27.22%	44.29%
	Consumer staples	14.72%	5.09%	2.82%
	Energy	9.75%	3.40%	0.48%
FACTOR	Value	Overweight	Modest underweight	Underweight
	Low volatility	Overweight	Modest underweight	Underweight
	Momentum	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.

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