

PM Spotlight: Engineering a Unique Solution for Income

Wai Lee, Ph.D. Senior Portfolio Manager



Wai Lee is a senior portfolio manager at Allspring. He's published more than 30 articles in peer-reviewed journals and has won multiple awards from Portfolio Management Research journals, including the prestigious Peter L. Bernstein Award and Bernstein Fabozzi/Jacobs Levy Award.

Q: HOW DID YOU GO FROM ENGINEERING TO PORTFOLIO MANAGEMENT?

A: I grew up in Hong Kong where I completed my undergrad degree in mechanical engineering. That was a very rigorous program and a good training ground for my career. One of the workshop assignments was to dismantle and reassemble a Mercedes-Benz V-6 engine. That helped me understand how each piece worked individually and appreciate how together they made a powerful engine—like a successful investment strategy.

After working as an engineer for a year, I moved to the U.S. for my MBA degree. The first economics course I took really changed my journey. My professor asked us to build our own final exam and then grade it. Because of my background and interests, I took a mathematical approach to solve the fundamental foundations of

economics problems. A few days later, the professor hired me as his research assistant, inspiring me to pursue my Ph.D. in finance. Later, while I was working as a postdoctoral research fellow at Harvard Business School, I discovered rigorous investment science in asset management and joined the industry. It's been 30 years, and I haven't looked back. I've applied investment science to manage a range of strategies, from global equity to fixed income, currencies, and commodities as both traditional and alternative portfolios.

I joined Allspring in 2018 spearheading research across our systematic teams, and I've been working with the Systematic Core Equity team on research for several years. More recently, I became a portfolio manager for the Global Equity Enhanced Income strategy, where I oversee the equity and options components, aiming to deliver what clients expect.

Q: WHAT ARE YOUR BROAD PRINCIPLES OF RESEARCH?

A: I've spent a lot of time thinking about how to guide my team on research, and I came up with my IRR principles—integrity, relevance, and rigor. First, integrity is very simple—don't misrepresent or misuse data just to tell a

“ All my experience in academia and in the industry has helped me think about risks, starting with my engineering education when I was assembling components to build a powerful engine.



story. Second is relevance. Research is fun and exciting, but at the end of the day, our work must always serve our clients' interests. That could be to develop a new product or improve performance or gain insights to become a better investor, but it must always be relevant. The third is rigor, which comes from my observations that a preference for simplicity can mask a lack of motivation to learn. That doesn't mean we have to do complex things. It's important to learn through rigorous research—if we end up with a simple solution, it will be a robust simplicity.

One example of this is a paper I published in *The Journal of Portfolio Management* years ago on risk-based asset allocation. I provided an analytical framework to unify a number of ad hoc portfolio-weighting schemes that had caught a lot of attention from the investment community. As it turned out, these apparently simple approaches embed different sets of strong assumptions on returns, correlations, and volatilities. Once unveiled, some investors might not be as comfortable investing in these portfolios regardless of their simulated performance. I published this lesson as an example of how rigorous research efforts can support or challenge simplicity and offer a different perspective. My team doesn't shy away from simple solutions, but we make sure that our process is an outcome of rigorous research and effort.

Q: HOW DO YOU INCORPORATE RISK MANAGEMENT INTO CONSTRUCTING AND MANAGING PORTFOLIOS?

A: All my experience in academia and in the industry has helped me think about risks, starting with my engineering education when I was assembling components to build a powerful engine. Risk is about surprises—realities versus expectations. An appropriate degree of diversification is key. It's also very important to only take intentional risks.

I see every risk model as a compass that's imprecise in some way, so I use multiple compasses to identify the best route. It's okay to make qualitative assessments, but only with a risk model structured to anchor the process. One example is the framework we developed to incorporate narratives in the media in a way that complements our risk model. The idea is to help visualize what the market is focusing on because that can be an important consideration in managing risk overall.

Q: HOW DO YOU COMBINE INCOME AND CAPITAL GROWTH STYLES IN THE GLOBAL EQUITY ENHANCED INCOME STRATEGY?

A: This is really an interesting way of looking at income and capital growth investing. Think about the premise of investing—what's the purpose? Sometimes we need it to provide for consumption now, and sometimes we need it to provide for consumption in the future. So, investors can take it when they need income, or they can leave it to grow their capital for funding future consumption. But if you invest only for income—in bonds,

for example—you miss opportunities to grow your capital. On the other hand, if you invest only for growth—in stocks or other growth assets—you increase investment risk and timing risk in liquidating capital when you need it.

We designed the Global Equity Enhanced Income (GEEI) strategy to address both needs, aiming to generate a high level of consistent income and strong capital growth within a well-balanced, diversified equity portfolio. This is quite unique. To achieve three goals in a single strategy, we leverage the expertise of a portfolio management team by combining security selection alphas, options writing, and robust portfolio construction and risk management through both quantitative analyses and fundamental views. That's a big part of our success. We don't simply seek high-yielding companies. We look for the best companies that can deliver on income, capital growth, or both, so the overall portfolio targets all three goals. We designed this strategy to be resilient and work across market environments and economic regimes.

Q: ARE THERE CERTAIN ECONOMIC OR MARKET RISKS CURRENTLY KEEPING YOU UP AT NIGHT?

A: One concern I have is how investors might respond when they face certain economic and market environments for the first time. Economic cycles have gotten longer over time, and that means we have less frequent shifts between economic regimes. That's typically a good problem—the interactions between inflation and economic growth are also more persistent. But it also means many investors today have never experienced high or rising inflation while the economy was slowing down. This is more painful because the cost of living is rising while wages are under pressure. Often in this environment, stocks and bonds have been more positively correlated with each other. We haven't seen that kind of countercyclical inflation since the early 2000s. When the pandemic hit, inflation jumped, economic growth slowed, and headlines wrongly declared the death of diversification as stocks and government bonds were shocked back to positive correlation. Many investors had never experienced this. I would say the same thing about tariffs. If we go back to tariff levels that haven't been seen in decades, it's unclear how many investors will respond.

Fortunately, I still sleep well at night. There will always be market and economic risks, but just as every piece in an engine has an important role, we designed the components of GEEI to work together and power through different road conditions and weather. We believe the process is resilient across market scenarios, and we firmly believe in remaining disciplined, taking intentional risks, and striking a good balance so we can maneuver ahead even if markets become stressed.



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:



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: +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.