

Direct Indexing: Unlocking SMArt Possibilities

CLIENT OPPORTUNITY

Transition away from an active, dividend-focused strategy to a tax-managed, dividend-tilt direct indexing SMA

Converting to a tax-aware, personalized, dividend-focused portfolio offers a compelling alternative



Client scenario:

Angela Lewis, a resident of Washington state, holds an actively managed, U.S. dividend-focused separately managed account (SMA). While Angela appreciates the SMA's focus on dividend income, it is relatively narrow in scope, carries higher fees, is not tax-managed, and offers no customization options. She is now seeking a more effective investment solution to better align with her needs.



Goals:

- Reduce taxes
- Capture above-average dividend yield
- Increase diversification
- Add personalization capabilities
- Lower costs



Challenge:

- Create a personalized portfolio composition to meet new goals (direct indexing SMA)
- Increase the tax efficiency of the portfolio
- Create an effective transition plan



Solution:

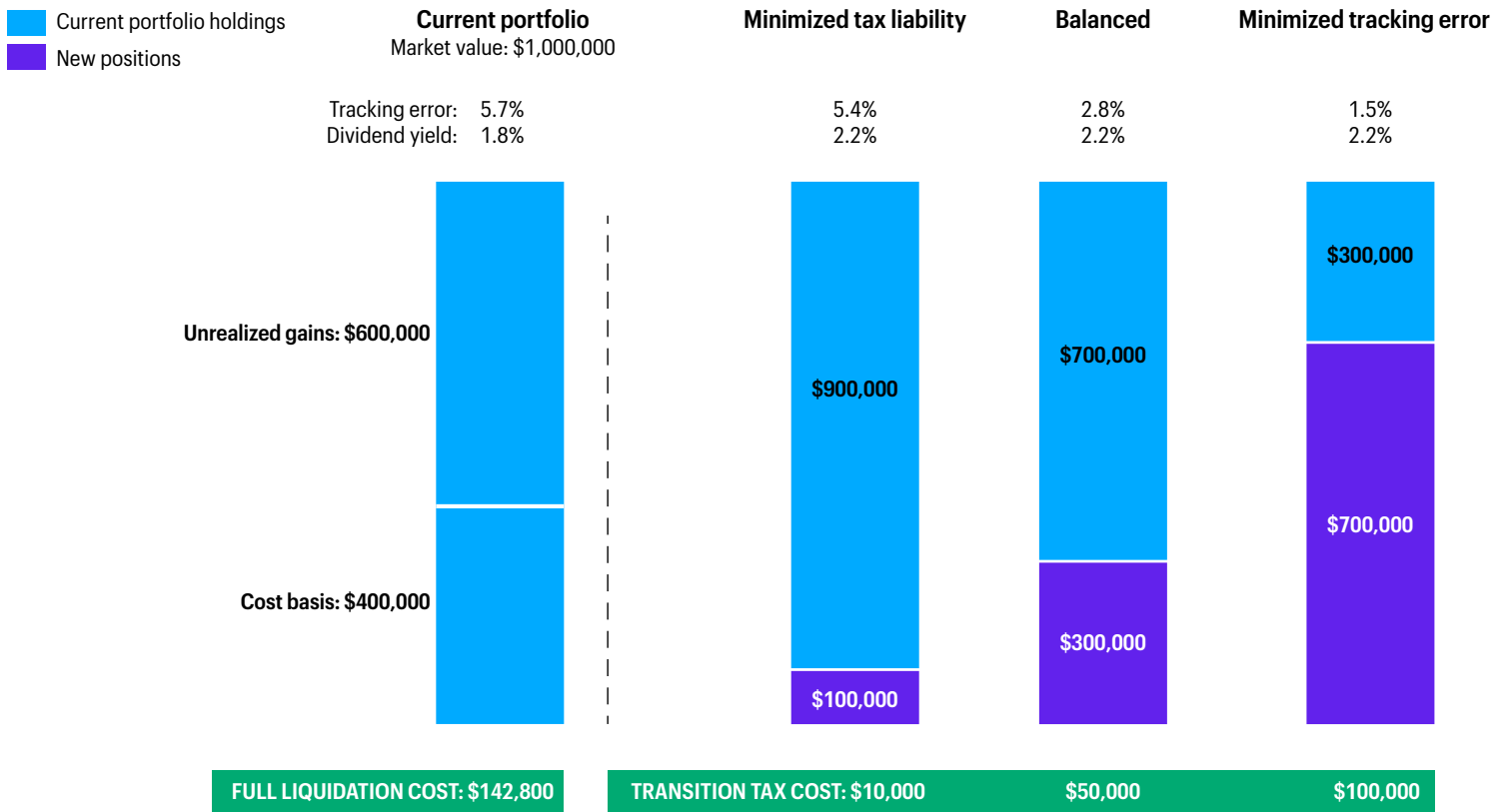
- Execute an effective exit and transition plan
- Use a systematic transition process to move to a direct indexing SMA that aligns with Angela's needs
- Fund a personalized, cost-effective, and tax-efficient direct indexing SMA that provides enhanced exposure to the dividend yield factor

Implementation:

Implementing the new strategy should begin with a comprehensive review of current active SMA holdings relative to the new direct indexing SMA. Legacy positions held can be transferred in-kind, helping limit the realization of capital gains and related taxes. The portfolio can then be completed by building around legacy positions, with a focus on a seamless and tax-efficient transition. Angela can choose among transition approaches that prioritize minimizing upfront tax liability, reducing tracking error, or balancing both objectives.

Results in
65%
tax savings

POTENTIAL TRANSITION OVER TIME



Source: Allspring. Illustrative purposes only. Based on a sample transition plan prepared in December 2025. Actual portfolio value = \$1,098,450; cost basis \$431,903; 33 holdings, all of which had varying unrealized gains. Transition plan was prepared to deploy assets in equity direct indexing with S&P 500 benchmark and dividend yield tilt. Actual tax costs in plan: minimized tax liability (\$9,948), balanced (\$49,498), minimized tracking error (\$102,148). Actual turnover in plan: minimized tax liability (9%), balanced (33%), minimized tracking error (66%). Rounded figures are used in illustration above for readability. All gains are long term, taxed at the maximum federal rate of 23.8% inclusive of the additional net investment income tax rate of 3.8%. Actual gains or losses will vary depending on specific circumstances and the market environment. The 65% tax savings referenced above is the estimated \$50,000 tax cost associated with selection of the balanced transition option as compared with the \$142,800 estimated tax cost associated with a full liquidation. **Minimized Tax Liability:** a sample portfolio with higher tracking error relative to the benchmark portfolio but which leads to lower tax cost during transition. **Balanced Tax Liability & Tracking Error:** Portfolio with medium tracking error relative to the representative benchmark portfolio but leads to medium tax cost during transition. **Minimized Tracking Error:** Portfolio with low tracking error relative to the representative benchmark portfolio but will lead to higher tax cost during transition.

New portfolio benefits:

Reduced costs

Enhanced and ongoing tax management, creating greater tax alpha potential

Increased portfolio diversification, flexibility, customization, and personalization



Direct indexing with Remi

Remi is Allspring's intelligent solution for personalizing separately managed account portfolios—powered by technology, research, human insights, and systematic tax management. Remi combines Allspring's proven investment expertise with powerful and proprietary technology to deliver truly tailor-made, tax-optimized, and cost-effective multi-asset portfolio solutions.

Investors may choose from multiple investment options with Remi. If you are seeking to build a systematic, tax-efficient, personalized direct indexing investment portfolio, explore Remi.

Interested in learning more?

Scan the QR code or visit Allspring's Direct Indexing page.



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.

Unless otherwise stated, Allspring Global Investments (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 otherwise specified. Benchmarks are unmanaged and cannot be invested in directly. Benchmarks do not reflect fees or other expenses associated with an actual investment.

The investment process and limitations described in this presentation are intended as an illustration of the manager's general investment philosophy. Modifications in the portfolio construction guidelines and portfolio limitations are subject to the discretion of the investment manager.

Advisory accounts may not be suitable for all investors. Advisory products are not generally designed for frequently traded or inactive accounts. During periods of lower trading activity, an account based on commissions could result in lower total costs to a client. You must have a reasonable basis to believe that the specific program, investment manager, or strategy you recommend is appropriate for the particular client based on that client's investment profile, which takes into account, among other things, the client's investment objectives, investment experience, time horizon, liquidity needs, and risk tolerance. You and your client should carefully review the advisory disclosure document (Form ADV Part 2A) associated with the program for a full description of our services, including fees and expenses and those fees or expenses that may be excluded. Prior to recommending and opening advisory program accounts, financial advisors must be properly licensed and registered in their relevant jurisdictions.

Allspring Managed Account Services is a unit within Allspring that is responsible for the management and administration of the Allspring Funds Management, LLC, retail separately managed account (SMA) portfolios. Allspring Funds Management acts as a discretionary manager for SMAs and as a non-discretionary model provider in a variety of managed account or wrap-fee programs (MA programs) sponsored by third-party investment advisers, broker-dealers, or other financial services firms (collectively, sponsors). When acting as a non-discretionary model provider, Allspring Funds Management's responsibility is limited to providing non-discretionary investment recommendations (in the form of model portfolios) to the sponsor. The sponsor may use these recommendations in connection with its management of MA program accounts. In these model-based programs, the sponsor serves as the investment manager and maintains trade implementation responsibility.

The investment strategies described herein are those of Allspring Managed Account Services. These materials are being provided for illustrative and informational purposes only. No assurances can be given that any strategy or objective will be achieved. Separately managed account strategies may not be suitable or appropriate for all investors. The information contained herein is obtained from multiple sources that are believed to be reliable. However, such information has not been verified and may be different from the information included in documents and materials created by the sponsor firm in whose investment program a client participates. Some sponsor firms may require that these Allspring materials be preceded or accompanied by investment profiles or other documents or materials prepared by such sponsor firms, which will be provided upon request. For additional information, documents, and materials, please contact the sponsor firm.

Allspring Global Investments does not provide accounting, legal, or tax advice or investment recommendations. Any tax or legal information in this document is merely a summary of our understanding and interpretations of some of the current income tax regulations and is not exhaustive. Investors should consult their tax advisor or legal counsel for advice and information concerning their particular situation.

Diversification does not ensure or guarantee better performance and cannot eliminate the risk of investment losses.

Remi is a solution for personalizing separately managed account portfolios, powered by technology, research, and human insights. Remi's portfolio construction engine is backed by our fundamental research team, simplified transitions, and tax management. Remi is a service of Allspring Funds Management, LLC, offered indirectly to U.S. investors through financial intermediaries. Investors should contact their financial advisor for more information.

Allspring Global Investments™ 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, LLC, and Allspring Funds Management, LLC. Certain products managed by Allspring entities are distributed by Allspring Funds Distributor, LLC (a broker-dealer and Member FINRA/SIPC). Associated with Allspring is Galliard Capital Management, LLC (an investment adviser that is not part of the Allspring trade name/GIPS firm).