ALLSPRING SEPARATELY MANAGED ACCOUNTS

remi
by Allspring

SMArt Direct Indexing With Allspring Global Investments

Direct indexing was historically reserved for select firms and high-net-worth clients. Thanks to advancements in trading technology and lower fees, direct indexing has become more accessible now than ever by **investing through an SMA**.

What is a separately managed account (SMA)?

An SMA is an investment vehicle that offers access to professional investment management while directly owning the individual security holdings in the account instead of a pooled vehicle like a fund.

What is direct indexing?

Direct indexing aims to replicate the return and risk profile of a chosen index by owning a subset of its underlying securities individually. This approach is often managed in a tax-efficient manner within an SMA investment vehicle.

EXAMPLE:
An investor attempts to track the S&P 500 Index by purchasing an S&P 500 direct index SMA. The portfolio would hold a representative sample of securities in the index, optimized to mimic its risk and return characteristics.

Who may benefit from direct indexing strategies?

- Those in high tax brackets with significant tax liabilities
- Those with appreciated positions in underperforming active equity strategies
- Those with concentrated stock positions
- Those who desire personalization
- Those anticipating a large future tax liability (e.g., private business owner)

What will you learn about direct indexing?

Three reasons why an investor may choose this ...

01 **Tax alpha**, and how Allspring's daily optimization can translate into robust tax management capabilities

02 **Customization**, and the flexible solutions that Allspring can offer to personalize holdings for each investor's needs or goals

03 **Transition planning and ongoing management**, and how a team of Allspring specialists can help optimize the investor experience

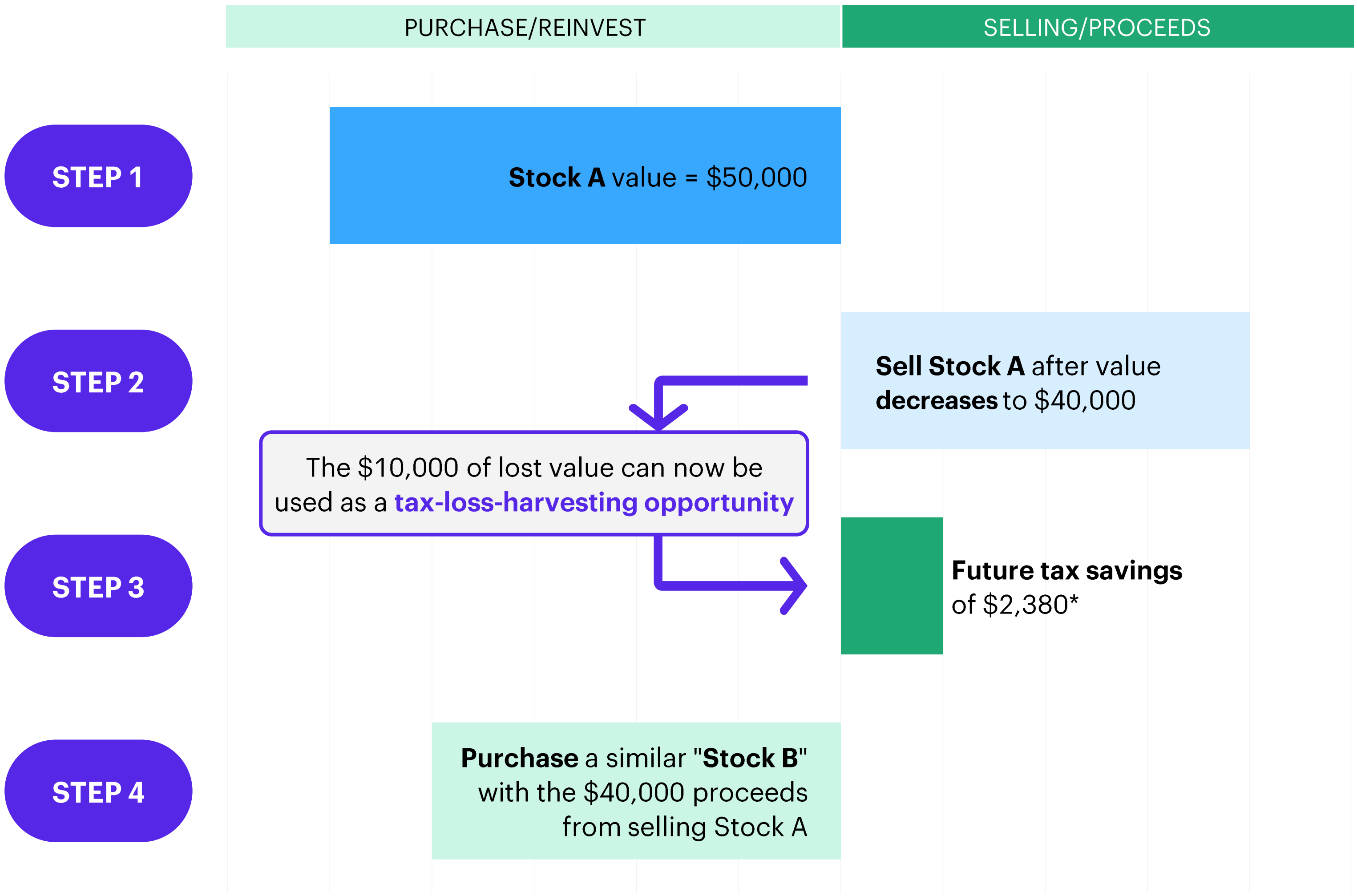
Source: Allspring. For illustrative purposes only.

Let's start with: What is tax-loss harvesting?

Selling a stock for a loss isn't ideal. However, this does **create a tax-loss** that can be used to offset future capital gains. Determining which stocks to sell at a loss, what the best options are for reinvesting the proceeds, and when to make these trades can be time-consuming but extremely valuable. Partnering with an investment professional can help solve for these issues.

CASE STUDY

Staying on the offense with tax management



Outcome

By selling Stock A, this individual was able to generate a tax loss that can be used to offset future capital gains. Then, by purchasing a similar "Stock B" with the $40,000 proceeds from selling Stock A, the investor was able to retain that tax loss while staying invested and aligned to their chosen index.

Source: Allspring. For illustrative purposes only. *Assumes a U.S. federal income tax rate of 23.8% applies to the $10,000 loss.

Why direct indexing?

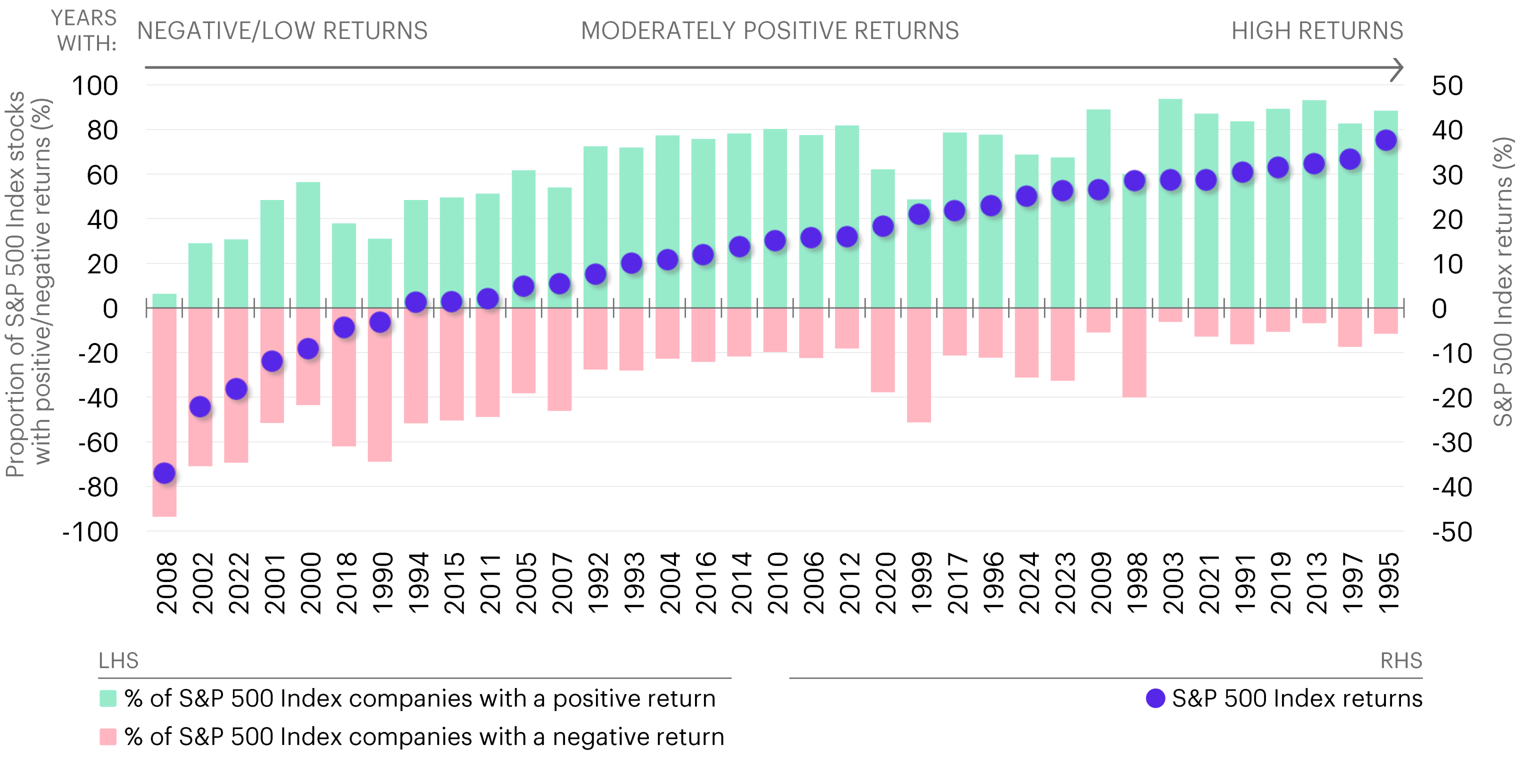
01 Tax alpha

Tax alpha[1] is a critical advantage of direct indexing when compared to mutual funds, exchange-traded funds, and non-tax-aware equity SMAs. Direct ownership of portfolio securities provides opportunities to exploit volatility, harvest losses, and minimize capital gains over time—ultimately improving an investor's overall after-tax returns.

1 to 2% ƒThe estimated **positive annual tax alpha** realized by an investor over a full market cycle, relative to a given index, or when compared to non-tax-aware net returns against a benchmark.

+ Up or down markets, tax-loss-harvesting opportunities persist

S&P 500 Index performance and incidence of positive/negative performing stocks by year



Investors may have opportunities to reduce their capital gains tax liability through tax-loss harvesting. We can see this historically across all types of market environments, even in periods of significant overall index appreciation.

Source: MSCI, Barra Portfolio Manager. As of 31-Dec-24. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indexes or any securities or financial products. This report is not approved, reviewed, or produced by MSCI. 1. Tax alpha refers to the additional value or returns generated in an investment portfolio by incorporating strategies that minimize tax liabilities, such as tax-loss harvesting. [Tax alpha is based on historical performance and does not represent future results.] ƒSource: Allspring. The approximate historical value of tax alpha that was generated by tax-loss-harvesting equity strategies, measured on an annual basis, over a full market cycle (roughly a period of 3 to 5 years).

Past performance does not guarantee future results. For illustrative purposes only.

Why direct indexing?

02 Customization

Personalizing portfolios in direct indexing involves buying individual securities, allowing customization to align with client preferences. For instance, an investor may exclude stock shares from an employer to increase diversification and reduce concentration risk.

Exclusions-based customizations:

- Ability to screen unwanted securities
- Industry group exclusions

Faith-based value customizations:

- Faith-based customization aligns portfolio holdings with specific religious value screens

Index-blending customizations:

- Single accounts can hold and blend multiple indexes
- Can help with the goal of reaching target allocations

03 Transition planning and ongoing management

Transitioning a portfolio can trigger tax consequences due to unrealized gains and losses. Direct indexing may offer levels of flexibility by avoiding full liquidation, allowing for more effective tax management. Deferred unrealized gains have the potential to compound over multiple tax years, thereby enhancing long-term wealth generation. This can hold true over the full life of a portfolio.

+ Portfolio optimization techniques matter

Key takeaways

+ How direct indexing portfolios are managed can differ significantly by provider.
+ A "triggered" approach to optimization may lead to a portfolio drifting from its original indexing objective.
+ Using a **daily portfolio optimization** approach, Allspring accounts for both tax-loss-harvesting opportunities and tracking error.

A look under the hood

Some first-generation[2] direct indexing providers use what is called a "triggered" approach to tax-loss harvesting within a portfolio. With this approach, the investment portfolio is monitored for specific conditions or "triggers" that would signal an opportunity for tax-loss harvesting, such as last rebalance date, cash balances, and losses available.

At Allspring, both taxes and tracking error are considered as part of our **daily optimization process** on our direct indexing portfolios. Our process is built to detect not only available losses but also whether those losses should be acted on given their relative impact on tracking error and the mandate of the account.

Source: Allspring. For illustrative purposes only. 2. First-generation is defined in this case so that it may include U.S. asset management firms that have established track records on direct indexing strategies of 10 years or longer.

Why Allspring for SMAs?

Meet Remi: Unlock smart outcomes

Our custom SMA (Remi) platform statistics

2021 Remi launch

$5.6B in assets under advisement (AUA) managed by Remi

6,211 accounts

$73.5B total firm-wide SMA AUA

RESEARCH EXPERTISE AND PORTFOLIO OVERSIGHT

- SYSTEMATIC APPROACH TO TAX MANAGEMENT
- CUSTOMIZABLE
- ACTIVE RISK MANAGEMENT
- EFFICIENT IMPLEMENTATION

The Remi team

Investment and implementation excellence meets industry tenure

- 20+ years of experience managing equity index and systematic equity mandates
- 20-member portfolio management team focused on custom SMAs
- A novel daily optimization process that seeks better outcomes than more simplistic approaches

Remi is a technology-enabled, multi-asset platform supporting both active and passive strategies

+ Active investing
+ Passive investing
+ Equity (active or indexing)
+ Fixed income (taxable or tax-exempt)

Sources: Allspring and Cerulli Associates. Data as of 30-Jun-25. Please note that the assets under advisement (AUA) figures provided include discretionary and non-discretionary assets and have been adjusted to eliminate any duplication of reporting among assets directed by multiple investment teams.

Past performance is no guarantee of future results.

Why Allspring for SMArt direct indexing?

01 Daily optimization

+ Our daily approach translates into robust tax management

At Allspring, balancing taxes and tracking error are integral to our daily optimization of direct indexing portfolios. This is not only for detecting losses but also for assessing their impact relative to tracking error and portfolio mandates.

Remi optimization

How do first-generation optimization approaches stack up to Allspring's Remi?

	FIRST-GEN	Allspring
Monitored daily	●	●
Optimized daily		●
Evaluates daily tax lot information	●	●
Evaluates daily tracking error information		●

02 Flexibility for everyone

Bespoke

proposals with optional insights from our SMA specialists and investment teams

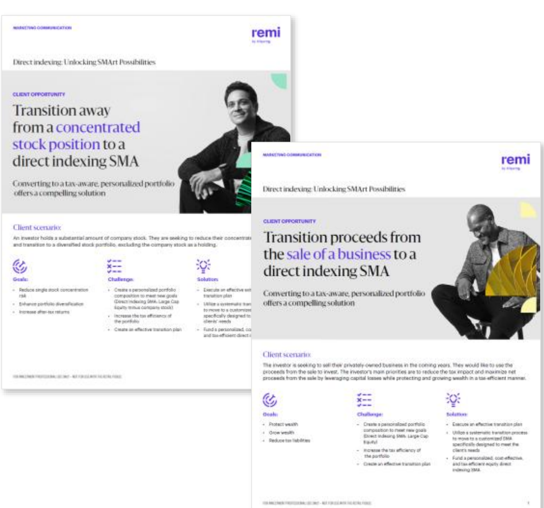
Customization

for numerous benchmarks, index blending, exclusions, faith-based values and tax-loss harvesting needs

Real flexibility

on solutions designed to address concentrated stock and appreciated securities

03 Individual investor experience



Source: Allspring

+ Making it easier to work with us

- Access to portfolio management team and dedicated tax/estate planning expertise
- Digital portal for submitting and tracking proposals
- Powered by Remi: Same proposals, investment platform, and resources for both equity and fixed income SMAs
- Prompt and reliable investor service pre- and post-funding
- Proprietary daily portfolio optimization process for ongoing account supervision
- Quarterly estimated tax impact reporting at the account level

Allspring SMArt direct indexing capabilities

Equity direct indexing capabilities

SMA STRATEGY NAME*	PROFILE	CUSTOMIZATION OPTIONS: SECURITY	INDUSTRY GROUP	FAITH-BASED VALUES¶	SYSTEMATIC TAX-LOSS HARVESTINGƒ
SMArt Large Core 500	Large core	●	●	●	●
SMArt Large Core 500 ESG-Screened†	ESG-screened large core†	●	●	●	●
SMArt Large Blend 1000	Large blend	●	●	●	●
SMArt Large Growth 1000	Large growth	●	●	●	●
SMArt Large Value 1000	Large value	●	●	●	●
SMArt All Cap 3000	All cap	●	●	●	●
SMArt International Core	Developed non-U.S. ADR	●	●	●	●
SMArt Emerging Markets	Emerging markets ADR	●	●	●	●

Source: Allspring, as of 30-Jun-25

* Index blends are available that combine Large Core 500 or All Cap 3000 indexes, with one or both of International Core and Emerging Markets indexes. Starting minimum weight is 10% in any index and weight customizations must be in increments of 5% thereafter.

† Certain strategies and customization options rely upon third-party sustainability data that inform the investment process about which securities to hold and exclude. This data is typically updated monthly. As a result, there will frequently be a gap of time between when this data changes and when any corresponding portfolio adjustments are implemented. To the extent that a buy or sell decision is necessitated by a change in data, it will normally occur at the time of the next portfolio rebalancing, which typically occurs every 30 to 60 days but may happen more frequently if tax-loss harvesting or tracking error improvement opportunities are material. This data may be used to create a screen or value set that can be subject to change from time to time.

¶ Includes Baptist, Catholic, Islamic, and Jewish values screens. As with all value sets, definitions of what should be included can vary. Allspring's screens are based on our interpretation of requirements under each set of religious principles that we have developed through our own research. It is not endorsed by a third party and may be subject to change. Of note, Allspring's Islamic values screen is Islamic aligned and not compliant and may be incomplete based on some definitions. Additionally, Allspring's Catholic values screen leverages guidance from the Socially Responsible Investment Guidelines for the US Conference of Catholic Bishops. Allspring uses third-party data to determine which securities pass through its screen. Allspring cannot guarantee the accuracy of information provided by third-party data providers, which may be incomplete, inaccurate, or unavailable and could adversely affect the assessment of securities to include or exclude. Please note, if no data is available, a security may not be excluded.

ƒ Allspring offers two levels of intensity for tax-loss harvesting: standard (max predicted tracking error = 1%) and enhanced (max predicted tracking error = 2%). Note that tracking error may be higher for transition portfolios.

If personalized index investing sounds right to fit your needs, contact your financial advisor to learn more and request a custom proposal today.

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:

S&P 500 Index: The Standard & Poor's 500 Index (S&P 500 Index) consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market-value-weighted index with each stock's weight in the index proportionate to its market value. You cannot invest directly in an index.

Standard deviation: Standard deviation is the square root of the sum of squared deviations from the mean. It is often used as a measure of volatility, variability or risk. Standard deviation is based on historical performance and does not represent future results.

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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.

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 Managed Account Services materials be preceded or accompanied by investment profiles or other documents or materials prepared by such sponsor firms, which will be provided upon a client's request. For additional information, documents, and materials, please speak to your financial advisor.

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Systematic tax-loss harvesting is a year-round approach to harvesting losses in portfolios by selling certain investments at a loss so that losses can be used to offset gains on the sale of other investments—thereby reducing capital gains tax owed. It aims to capture losses while maintaining a portfolio's risk profile and relevant diversification parameters. The thresholds for and frequency of systematic tax-loss harvesting depend on market conditions and other factors.

All investing involves risks, including the possible loss of principal. Stock values fluctuate in response to the activities of individual companies and general market and economic conditions. Securities that exhibit growth or value characteristics tend to perform differently and shift into and out of favor with investors depending on changes in market and economic sentiment and conditions. Changes in the value of a small number of issuers are likely to have a larger impact on a portfolio's net asset value than if the strategy held a greater number of issuers. An investment strategy that emphasizes sustainability and environmental, social, and governance (ESG) characteristics may perform differently than a strategy without such an emphasis, or the market as a whole. The investment strategy may forgo investments or make investments that differ from an otherwise similar investment strategy that does not evaluate and select investments on the basis of their sustainability and ESG credentials. ESG information from third-party data providers may be incomplete, inaccurate, or unavailable. As a result, there is a risk that the investment manager may incorrectly assess a security or issuer.

Foreign investments may be subject to lower liquidity; greater price volatility; and risks related to adverse political, regulatory, market, or economic developments and may be affected by changes in foreign currency exchange rates. Emerging market securities typically present even greater exposure to the risks described under "Foreign Investment Risk" and may be particularly sensitive to global economic conditions. Emerging market securities are also typically less liquid than securities of developed countries and could be difficult to sell, particularly during a market downturn.

Investment strategies that do not explicitly pursue an investment strategy that considers environmental, social and governance (ESG) characteristics in the selection of investments may still integrate the assessment of sustainability or ESG investment risks as a normal part of the investment process. Such consideration may not necessarily be applied across all securities, nor is it the sole consideration when evaluating a security for purchase.

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.

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