



Forging Our Own Path

PM evolution at Allspring

We asked **Jon Baranko** and **Dan Morris**, our chief investment officers for Fundamental and Systematic Investments, respectively, about two key topics at Allspring: the company's efforts to generate and employ fresh perspectives that elevate our clients' experience and its progress in applying AI and machine learning within the investment process.



Jon Baranko
Chief Investment Officer,
Fundamental Investments

HOW IS ALLSPRING EVOLVING AS AN ASSET MANAGER TO ENHANCE THE TRADITIONAL OPERATING MODEL AND EMBRACE INNOVATION?

I believe all innovations we undertake at Allspring must be targeted at elevating the client experience. This has two primary dimensions: How can we enhance our investment decision-making to improve our clients' investment performance, and how can we use innovation to provide access to the insights of our key decision-makers?

When I speak with clients, I'm reminded of the value of providing better context and depth to our portfolio managers' views. We work with distribution and marketing to improve responsiveness to investor inquiries at all stages of client engagement and to scale access to the most relevant and impactful content. This includes not only a full variety of media formats and distribution methods to expand reach, but also building content that is demand-driven and shaped by continuous feedback from the field. This philosophy also drives product development, allowing us to identify the right investment vehicles and build them cost-effectively for different investor segments.

WHAT ARE SOME OF THE EFFORTS YOU'VE MADE TO INNOVATE WITHIN THE FUNDAMENTAL INVESTMENT ORGANIZATION?

I believe our risk management framework and suite of proprietary tools can ultimately improve our ability to generate consistent returns in active management. The mission of our Investment Analytics team is to offer investment teams an edge

over competitors who are overly reliant on "off-the-shelf" tools. This team is developing a hybrid risk analytics platform, which combines proprietary software and vended risk models into a highly automated risk reporting infrastructure. This provides a more transparent view of the risk profiles of holdings and prospective holdings and greater speed in getting information into the hands of decision-makers.

Our Quantitative Insights & Data Science group is developing a machine-learning tool called CASPR®, which stands for Computer-Aided Selection Process. It uses transaction histories to learn which companies may be a good fit for specific Allspring strategies in real time. Its output provides portfolio management teams with ideas for investment. While investment decisions always reside within our teams, we believe the evolution of technologies like this has the potential to enhance the quality, speed, and conviction of buy and sell decisions.

HOW DO YOU SUPPORT YOUR TEAMS AND INSPIRE THEM TO DRIVE INNOVATION?

Technology is critical, but it's important to recognize that innovation is primarily a human endeavor. We are committed to attracting the brightest and most talented people in the industry to our organization. We are also committed to evaluating our client outcomes in the context of our peers. Allspring's mission is to elevate investing to be worth more, and our culture, beliefs, and values are critical to our future success. Ultimately, we seek to foster an environment that brings diverse people, ideas, and skills together to help our clients pursue their financial goals.

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Daniel Morris
Chief Investment Officer,
Systematic Investments

HOW IMPORTANT ARE AI AND MACHINE LEARNING TOOLS TO SYSTEMATIC EDGE?

Tools like AI and machine learning help distill raw data into signals that can inform our investment process. For example, we've leveraged a variety of large language models that can efficiently sift through news feeds and press releases for changes in sentiment. We continuously refine and use this to bolster our assessment of dividend policies, where shifts in sentiment on, say, looming business challenges, required capital expenditures, or competitor actions can be explanatory variables for future dividend increases or cuts. The scale of this work on a universe of thousands of securities is not feasible for a human analyst, but it presents a natural-use case for a machine learning application.

However, with any model, it's important to recognize that outputs can lend a false sense of security in their predictive value. I think the true value of these tools lies in the unbiased vetting of their output for informational value and then finding the best ways to translate this into portfolio positions that support desired client outcomes.

HOW DOES THE PROCESS OF VETTING THESE TOOLS WORK WITHIN YOUR TEAM?

This is where the team dynamic comes into play. First, you need people with raw skills who are pushing the boundaries in quantitative research, in new programming tools, in sector and asset class research, and in fundamental research.

Second, you need people who are willing to work with others who have completely different skill sets and who are comfortable challenging and being challenged by colleagues. The incentive to collaborate is rooted in identifying how research findings can be implemented into real investable solutions for the client.

The final hurdle is implementation. If we find that our research passes this test, we're comfortable that we've addressed the client need. Often, this process can reveal new questions that guide future research efforts. It can also reveal findings we can share with the client.

CAN YOU GIVE AN EXAMPLE OF HOW CLIENT FEEDBACK WORKS IN PRACTICE?

While we know at the outset of a client engagement what unknowns we need to solve for, a client's feedback helps us better understand their needs, where to focus our research, and ultimately which investment solutions to identify.

For example, a common theme we've identified among our clients is a growing concern about sustained inflation. This has directed our attention to fine tuning inflation sensitivities of client exposures—both at the asset class level and across their broader portfolios. Another theme that has become more prominent this year is mega-cap dominance in equities. Generally, high-beta stocks have performed well in 2023. This has channeled our research efforts toward gaining a better understanding of how equity betas may be affected under different economic regimes. From a portfolio perspective, today's jittery markets have supported a growing client preference for strategies that improve diversification and reduce market exposure.

Multiple client goals can often be addressed in a single implementation. Recently, a client who was aware of our experience managing long/short strategies asked us to design a bespoke portfolio to optimize market exposure to different macro environments, improve geographic diversification, and target a more consistent expected return profile. The resulting market-neutral portfolio was a completely new strategy for this investor. I think this example underscores the role that trust and partnership play in helping clients achieve better outcomes.

To learn more

We want to help clients build for successful outcomes, defend portfolios against uncertainty, and create long-term financial well-being. Visit our website at www.allspringglobal.com.

Contact details

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