# Multi-Sector Income Fund

Allspring

## Closed-End Fund

### FUND FACTS

| | |
|---|---|
| Ticker | ERC |
| NAV Ticker | XERCX |
| CUSIP | 94987D101 |
| Fund inception date | 6-25-03 |
| Shares outstanding | 28,066,291.11 |
| Average daily volume | 150,493 |

### OBJECTIVE

The fund seeks to provide a high level of current income consistent with limiting its overall exposure to domestic interest-rate risk.

### INVESTMENT STRATEGY

The Fund allocates its assets between three separate investment strategies, or sleeves. Under normal market conditions, the fund allocates approximately 30%-70% of its total assets to a sleeve consisting of below investment grade (high yield) debt; approximately 10%-40% to a sleeve of foreign debt securities, including emerging market debt; and approximately 10%-30% to a sleeve of adjustable-rate and fixed-rate mortgage backed securities, and investment grade corporate bonds.

### ASSET ALLOCATION (%)

| | |
|---|---|
| Fixed income | 96.26 |
| Cash & equivalents | 3.74 |

### ADVISER

Allspring Funds Management, LLC

### SUBADVISER

Allspring Global Investments, LLC

Allspring Global Investments (UK) Limited

### FUND MANAGERS

| Name | Years of investment experience |
|---|---|
| Christopher Y. Kauffman, CFA | 27 |
| Chris Lee, CFA | 23 |
| Michael Lee | 42 |
| Michael J. Schueller, CFA | 25 |
| Lauren van Biljon, CFA | 17 |
| Noah Wise, CFA | 22 |

CFA® and Chartered Financial Analyst® are trademarks owned by CFA Institute.

### EXPENSES (%)

| | |
|---|---|
| Gross expense ratio | 3.40 |

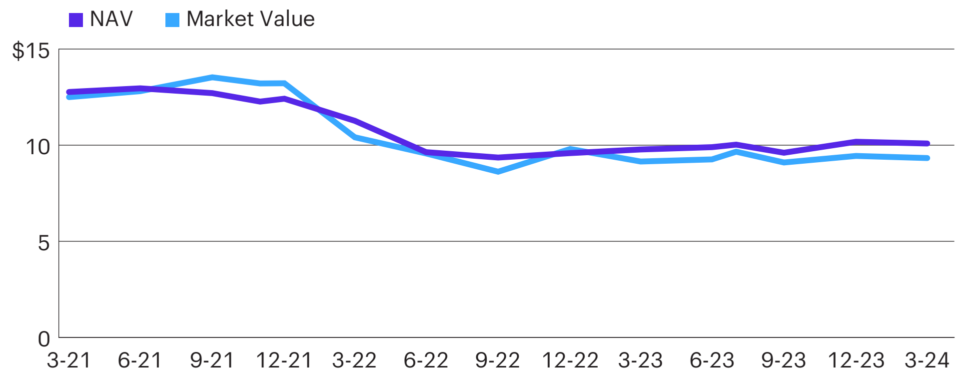
As of 10-31-2023. Expense ratios include 2.43% of interest expense. Excluding interest expense, gross ratio would be 0.97%.

## Performance (%)

| | 3 month | Year to date | 1 year | 3 year | 5 year | 10 year | Since incep. |
|---|---|---|---|---|---|---|---|
| | | | Annualized | | | | |
| Fund at Market | 0.91 | 0.91 | 10.94 | -0.55 | 4.33 | 5.12 | 5.87 |
| Fund at NAV | 1.19 | 1.19 | 12.25 | 1.36 | 4.07 | 4.68 | 6.52 |

***Figures quoted represent past performance, which is no guarantee of future results, and do not reflect taxes that a shareholder may pay on fund distributions or the sales of fund shares.*** *Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted and assumes the reinvestment of dividends and capital gains. Performance figures of the Fund do not reflect brokerage commissions that a shareholder would pay on the purchase and sale of shares. If taxes and such brokerage commissions had been reflected, performance would have been lower. Current month-end performance is available by calling 1-800-222-8222.*

## NAV vs. market price chart




## Net asset value (NAV) and market price data

| | |
|---|---|
| Current share price ($) | 9.33 |
| Current share NAV ($) | 10.09 |
| Premium/discount at NAV (%) | -7.53 |

## Fund capitalization

| | |
|---|---|
| Net assets ($ in millions) | 283.1 |
| Bank borrowings ($ in millions) | 119.0 |
| Total assets ($ in millions) | 402.1 |
| Leverage as a percentage of total assets (%) | 29.6 |

## Fund characteristics

| | |
|---|---|
| Number of holdings | 435 |
| Portfolio turnover (%) | 38.2 |
| Duration (years)[2] | 3.02 |
| Weighted average maturity (years)[3] | 4.69 |
| Weighted average coupon (%)[4] | 6.80 |

## Yields (%)

| | At market | At NAV |
|---|---|---|
| Distribution rate* | 8.24 | 7.62 |
| 30-day SEC yield[1] | – | 8.16 |

*Distribution rate is calculated by annualizing the last distribution and then dividing by the period ending NAV or market price. Special distributions, including special capital gains distributions, are not included in the calculation. Distributions may be sourced from any or all of the following: income, capital gains and return of capital.

## Dividend information

| Declaration date | Payment amount($) |
|---|---|
| 3-28-2024 | 0.06542 |
| 2-22-2024 | 0.06530 |
| 1-26-2024 | 0.06521 |
| 12-29-2023 | 0.06504 |
| 11-15-2023 | 0.06498 |
| 10-27-2023 | 0.06497 |

Dividends shown are from the last six months and are paid monthly. Historical dividend sources since the Fund's inception have included net investment income, realized gains, and return of capital. Each fund will send shareholders a Form 1099-DIV for the calendar year that will tell shareholders how to report these distributions for federal income tax purposes. A fund's current distribution rate and historical dividends are not indicative of future performance.[5]

# Multi-Sector Income Fund

## Closed-End Fund

### Credit rating allocation (%)

| | |
|---|---|
| AAA/Aaa | 11.40 |
| AA/Aa | 1.16 |
| A/A | 1.72 |
| BBB/Baa | 22.21 |
| BB/Ba | 26.02 |
| B/B | 27.82 |
| CCC/Caa and below | 6.04 |
| Not rated | 0.85 |
| Cash & equivalents | 2.79 |

Calculated as a percentage of market value of bonds. Credit rating allocation is subject to change and may have changed since the date specified. Percent totals may not add to 100% due to rounding. The ratings indicated are from Standard & Poor's, Fitch Ratings Ltd., and/or Moody's Investors Service. If a security was rated by all three rating agencies, the middle rating was used. If rated by two of three rating agencies, the lower rating was used, and if rated by one of the agencies, that rating was used.

### Portfolio composition (%)

| | |
|---|---|
| U.S. corporate (high yield) | 55.95 |
| Emerging markets bond | 11.05 |
| Sovereign | 8.61 |
| U.S. corporate (investment grade) | 7.19 |
| Securitized | 6.13 |
| International corporate (high yield) | 4.96 |
| U.S. treasuries | 4.27 |
| International corporate (investment grade) | 1.63 |
| Quasi government related | 0.21 |

Calculated as a percentage of market value of bonds. Portfolio composition is subject to change and may have changed since the date specified. Percent totals may not add to 100% due to rounding.

### Maturity distribution (%)

| | |
|---|---|
| 0 - 1 year | 7.68 |
| 1 - 3 years | 25.74 |
| 3 - 5 years | 34.37 |
| 5 - 10 years | 28.73 |
| 10 - 20 years | 1.47 |
| 20+ years | 2.01 |

Calculated as a percentage of market value of bonds. Maturity distribution is subject to change and may have changed since the date specified. Percent totals may not add to 100% due to rounding.

### Top geographic allocations (%)

| | |
|---|---|
| United States | 66.11 |
| Supranational | 8.19 |
| Mexico | 3.73 |
| Colombia | 2.98 |
| Romania | 2.72 |
| Indonesia | 2.30 |
| Canada | 2.02 |
| United Kingdom | 1.73 |
| Cayman Islands | 1.19 |
| Hungary | 1.19 |

Geographic allocation is subject to change and may have changed since the date specified. Percent totals may not add to 100% due to rounding.

### Top holdings (%)

| | |
|---|---|
| Indonesia Governtment Bonds | 1.84 |
| Titulos de Tesoreria Bonds 11/27 5.75 | 1.38 |
| Government of Hungary | 1.18 |
| Government of Mexico | 1.17 |
| International Bank for Reconstruction | 1.10 |
| Government of Romania | 1.02 |
| Government Of Colombia | 1.00 |
| Government of New Zealand | 0.96 |
| MEX BONOS DESARR FIX RT BONDS 05/33 7.5 | 0.91 |
| Government of Mexico | 0.84 |

Portfolio holdings are subject to change and may have changed since the date specified. The holdings listed should not be considered recommendations to purchase or sell a particular security.

1. The 30-Day SEC yield is calculated with a standardized formula mandated by the SEC. The formula is based on maximum offering price per share and includes the effect of any fee waivers. Without waivers, yields would be reduced. A fund's actual distribution rate will differ from the SEC yield and any income distributions from the fund may be higher or lower than the SEC yield. The 30-day unsubsidized SEC yield does not reflect waivers in effect.
2. Duration is a measurement of the sensitivity of a bond's price to changes in Treasury yields. A fund's duration is the weighted average of duration of the bonds in the portfolio. Duration should be interpreted as the approximate change in a bond's (or fund's) price for a 100-basis-point change in Treasury yields. Duration is based on historical performance and does not represent future results.
3. Weighted average maturity (WAM): An average of the effective maturities of all securities held in the portfolio, weighted by each security's percentage of total investments. The maturity of a portfolio security is the period remaining until the date on which the principal amount is unconditionally required to be paid, or in the case of a security called for redemption, the date on which the redemption payment is unconditionally required to be made. WAM calculations allow for the maturities of certain securities with demand features or periodic interest rate resets to be shortened. WAM is a way to measure a fund's sensitivity to potential interest rate changes. WAM is subject to change and may have changed since the date specified.
4. The weighted average annual interest rate (expressed as a percentage of par value) that the issuers of all of the bonds in a fund promise to pay until maturity.
5. If a distribution is from a source other than net investment income, the Fund provides a notice to shareholders with an estimate of its distribution source at that time. The final determination of the source of all dividend distributions in the current year will be made after year-end. The actual amounts and sources of the amounts for tax reporting purposes will depend upon a fund's investment experience during the remainder of the fiscal year and may be subject to change based on tax regulations. Each fund will send shareholders a Form 1099-DIV for the calendar year that will tell shareholders how to report these distributions for federal income tax purposes.

# Multi-Sector Income Fund

## Closed-End Fund

**Strategy**

U.S. economic growth decelerated in the first quarter from the robust pace seen in the second half of 2023 yet remained healthy near historical average levels. Consumer spending was resilient as consumer fundamentals remained strong, labor market and wage growth remained firm, and wealth effects stemming from home price and stock market appreciation were positive. Cyclical sectors such as manufacturing and housing began to inflect stronger from subdued levels mostly due to the increased probability of lower financing costs in the second half of 2024. Concurrently, the pace of disinflation slowed, which prompted the Federal Open Market Committee (FOMC) and the market to reconsider the journey of future policy rate adjustments. The FOMC concluded the first quarter of 2024 expecting a total of three rate cuts in 2024 and a slowdown in the pace of quantitative tightening.

Excluding the Bank of Japan, which hiked its policy rate for the first time in 17 years, most developed market central banks held rates unchanged during the quarter but were more dovish than the FOMC due to generally softer respective growth and inflation. Emerging market central banks generally continued to cut rates with China increasing stimulus mostly targeted at their manufacturing industry. Geopolitical tensions remained elevated and continued to be a key risk to global markets.

High yield and leveraged loans generated strong performance during the quarter as a continuation of the risk rally from the fourth quarter drove demand, pushing bond and loan prices higher. The loosening of financial conditions kept corporate defaults low and allowed risky borrowers to access the capital markets. Corporate debt issuance was very strong during the quarter as a surge of inflows into mutual funds and exchange-traded funds aligned with lower yields to incentivize borrowers to tap the market for fresh funding. Both bond and loan issuance rose materially during the period compared with 2023 volumes. Combined with the overall better technical backdrop, this allowed many high yield and leveraged loan companies to secure funding for upcoming maturities, reducing the so-called “maturity wall” to more manageable levels.

The Multi-Sector Income Fund’s return was 1.19% for the three-month period that ended March 31, 2024, which outperformed relative to the Multi-Sector Income Blended Index[6], which returned 0.12%.

**Contributors to performance**

The fund was positioned with a significant underweight to U.S. dollar duration during the quarter, which contributed to performance as yields rose in the U.S. On the currency front, the fund saw positive contributions from its overweight to the Mexican and Colombian pesos. Overweights to Indonesia and India bonds as well as high-quality sovereign debt proxying Brazilian and South African exposure were additive to performance. An underweight to agency mortgage-backed securities (MBS) contributed to performance, as mortgage spreads widened during the quarter. Individual positive names of note included CoreCivic, ARD Holdings, and Goldman Sachs.

**Detractors from performance**

In general, exposure away from the U.S. dollar detracted from performance during the quarter, with the Hungarian forint and Brazilian real being of note. Country exposure to New Zealand, Hungary, and the U.K. detracted during the period. An overweight to AAA-rated debt was a detractor as higher-quality debt underperformed. Individual negative names of note included Genworth Financial, E.W. Scripps, and Charter Communications.

**Management outlook**

Firmer-than-expected data in the U.S. and the spill-over into interest rate expectations in other core markets have been material. This is despite the fact that the macroeconomic fundamentals between the U.S. and economies like the eurozone and the U.K. are diverging, suggesting central banks in the latter will cut rates before, and by more than, the U.S. Our base case is for a modest fall in U.S. interest rates this year with the intention to signal a move from tight to neutral monetary policy. The fairly aggressive repricing in core markets has translated into slightly less room for emerging markets to ease monetary policy. For the quarter ahead, that suggests less easing from Latin America and Eastern Europe and nothing at all from emerging Asia.

MBS valuations look less attractive than the beginning of the quarter, but they still look relatively compelling compared to other high-quality sectors in the current macro environment. Credit spreads are inside of long-term averages and corporate fundamentals are mixed. Positioning may be nimble, balancing corporate fundamentals, consumer health, and a transitioning economy against tighter valuations.

High yield and leveraged loans continue to offer attractive yields that should outpace current rates of inflation and offset future economic volatility. Issuer fundamentals and balance sheets are healthy and a key reason for low defaults and spread compression. Ultimately, resilient economic growth and the possibility of a Federal Reserve (Fed) rate cut creates a favorable backdrop for corporate credit, low defaults, and spread compression. This is perhaps why investors seem more focused on yields than credit spreads, hoping to position themselves to benefit from an eventual Fed easing and today’s yields, which are attractive compared with the post–Global Financial Crisis period.

6. Source: Allspring Funds Management, LLC. Effective October 15, 2019, the Multi-Sector Income Blended Index replaced the ICE BofA High Yield U.S. Corporates, Cash Pay Index with the ICE BofA U.S. High Yield Constrained Index in order to better match the fund’s investment strategy. The Multi-Sector Income Blended Index is composed of 60% ICE BofA U.S. High Yield Constrained Index, 18% J.P. Morgan GBI-EM Global Diversified Composite Index, 7.5% Bloomberg U.S. Credit Bond Index, 7.5% Bloomberg U.S. Securitized Index, and 7% J.P. Morgan Global Government Bond Index (ex U.S.). Prior to October 15, 2019, the Multi-Sector Income Blended Index was composed of 60% ICE BofA U.S. Cash Pay High Yield Index, 18% J.P. Morgan GBI-EM Global Diversified Composite Index, 7.5%.The ICE BofA U.S. High Yield Constrained Index tracks the performance of U.S.-dollar-denominated below-investment-grade corporate debt that is publicly issued in the U.S. domestic market. The J.P. Morgan GBI-EM Global Diversified Composite Index is an unmanaged index of debt instruments of 31 emerging countries. The Bloomberg US Credit Index measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranational and local authorities. The Bloomberg U.S. Securitized Index is an unmanaged composite of asset-backed securities, collateralized mortgage-backed securities (ERISA-eligible), and fixed-rate mortgage-backed securities. The J.P. Morgan Global Government Bond Index (ex U.S.) measures the total return from investing in 12 developed government bond markets—Australia, Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Spain, Sweden, and the U.K.  You cannot invest directly in an index.

# Multi-Sector Income Fund

## Closed-End Fund

Returns reflect expense limits previously in effect, without which returns would have been lower.

This closed-end fund is no longer available as an initial public offering and is only offered through broker-dealers on the secondary market. A closed-end fund is not required to buy its shares back from investors upon request. Shares of the fund may trade at either a premium or discount relative to the fund's net asset value, and there can be no assurance that any discount will decrease. The values of, and/or the income generated by, securities held by the fund may decline due to general market conditions or other factors, including those directly involving the issuers of such securities. Debt securities are subject to credit risk and interest rate risk, and high-yield securities and unrated securities of similar credit quality have a much greater risk of default and their values tend to be more volatile than higher-rated securities with similar maturities. Foreign investments may contain more risk due to the inherent risks associated with changing political climates, foreign market instability, and foreign currency fluctuations. Risks of foreign investing are magnified in emerging or developing markets. The fund is exposed to mortgage- and asset-backed securities risk. The fund is leveraged through a revolving credit facility and also may incur leverage by issuing preferred shares in the future. The use of leverage results in certain risks, including, among others, the likelihood of greater volatility of the net asset value and the market value of common shares. Derivatives involve additional risks, including interest rate risk, credit risk, the risk of improper valuation, and the risk of noncorrelation to the relevant instruments that they are designed to hedge or closely track.

The ratings indicated are from Standard & Poor's, Moody's Investors Service, and/or Fitch Ratings Ltd. Credit-quality ratings: Credit-quality ratings apply to underlying holdings of the fund and not the fund itself. Standard & Poor's rates the creditworthiness of bonds from AAA (highest) to D (lowest). Ratings from A to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the rating categories. Moody's rates the creditworthiness of bonds from Aaa (highest) to C (lowest). Ratings Aa to B may be modified by the addition of a number 1 (highest) to 3 (lowest) to show relative standing within the ratings categories. Fitch rates the creditworthiness of bonds from AAA (highest) to D (lowest).

This material is for general informational and educational purposes only and is NOT intended to provide investment advice or a recommendation of any kind—including a recommendation for any specific investment, strategy, or plan.

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).