

PM Spotlight: Wired for Growth

Michael T. Smith, CFA
Senior Portfolio Manager



Mike Smith, senior portfolio manager and head of Allspring’s Growth Equity team, was wired from a young age to become a growth equity investor. His team’s diversified approach focuses on stocks with robust, sustainable, and underappreciated growth across the market-cap spectrum.

Q: WHAT LED YOU TO FOCUS ON GROWTH INVESTING?

A: In retrospect, several experiences set me on the path to growth investing. Playing ice hockey as a kid, my dad would take me to the rink Saturday mornings followed by breakfast. As a busy executive, our conversations became like interviews where I’d ask about his work. When he was in trucking, I’d analyze trailer counts in lots—empty lots made me think about what might drive demand, while full lots made me question business slowdowns.

In high school, I learned to type exceptionally. That was valuable during my freshman internship at DePauw University with the team I now lead. The founder became my mentor, and my interviewing and typing skills helped me stand out.

Company research then involved dialing for dollars—calling management, asking questions, and typing notes that informed our decisions.

I progressed from intern to health care analyst to portfolio manager, eventually taking over the team in 2016. What I love about growth investing is the continuous learning. We’re constantly evolving to identify the next big opportunity. Our philosophy is staying on the right side of change—finding businesses that can adapt, grow revenue, and expand margins.

Q: HOW DID YOU STRUCTURE YOUR TEAM TO FIND GROWTH OPPORTUNITIES IN THE MARKET?

A: Our team has 12 investors, and none of us have given up any aspect of our process. We all identify opportunities and do the research on our companies and the analysis to figure out what the market’s missing—which is a huge input to our decision-making—and then build portfolios based on that work.

“ We study the nooks and crannies of the growth universe for companies that aren’t classified as technology but are winning because of their investment in tech.



Our roles are specific. Eight sector analysts follow areas of the U.S. equity market where we find opportunities to deploy our process—which is primarily in health care technology, consumer discretionary, and industrials—and there are four generalist portfolio managers. We operate as a team with one process across the entire market-cap spectrum, unlike most firms that have large-cap, mid-cap, and small-cap teams. We own 150 stocks across the market-cap spectrum. No one is siloed, and there's no jigsaw puzzle of style box products. That's important because we get a lot of leverage from our best ideas.

The other important aspect of our team structure is how we focus on what matters and block out everything else. There are around 3,000 stocks in the U.S. with enough liquidity for us to take a position. Of those stocks, 2,700 are pushed aside because they're in an industry that's not growing or where stock picking isn't effective. For the remaining 300, which ones have sustainable growth? Can it be continued into the future? What's going to drive the opportunity for compounding? And then the most important question of all: What's the alpha source? We ultimately hold around 150 stocks where we see opportunity that the market is missing. That's my favorite part of the job.

Q: THE TECH STOCK RUN-UP DOMINATED GROWTH FOR YEARS. WHERE WILL THE NEXT GENERATION OF TRANSFORMATIVE GROWTH OPPORTUNITIES COME FROM?

A: I think the technology wave we're going through now with artificial intelligence (AI) is transformative, and it's unique for a couple of reasons. A lot of the incumbent firms have an advantage this cycle. That wasn't the case with the dot-com stocks and the mobile internet when disruptors pushed out some of the legacy companies. They did it with a better product at a lower cost. The internet enabled this business model.

AI is different because the fuel for AI is data. The legacy companies are in an advantageous spot because they have a lot of data. They also have trust, which may be an even bigger advantage. It takes a huge leap of faith to automate things that employees have always done—and to do that with new technology. It's the early days, but we're making a pretty big bet on the opportunity for incumbent firms to augment their business, reaccelerate their growth, and expand their market opportunity. That's very exciting for us.

The last thing I'd mention is that today a lot of firms are becoming technology companies in some way. That started before AI became what it is today. We study the nooks and crannies of the growth universe for companies that aren't classified as technology but are winning because of their investment in tech. I love that. There are so many unique companies building a wider and deeper moat every day because of these capabilities. You see these companies in our portfolios. They're hiding in plain sight. Of course, we've owned

Nvidia and other big names, but the most exciting examples in our portfolios today aren't traditional tech names. They're in financials or they're in consumer services and they're winning because of their technology.

Q: HOW DO YOU EVALUATE EMERGING COMPANIES OR BUSINESS MODELS TO DISTINGUISH TRUE INNOVATION FROM HYPE?

A: We get out and do the work. We talk to customers because they're the ultimate source of truth. And we do our analysis in pairs to minimize cognitive bias. Each analyst has a PM riding shotgun as they're taking an idea through our decision-making process. When we present ideas, we invite other investors from the team who have fresh perspective because they weren't involved in the research. It may sound simple, but having to explain the opportunity is a great way to test your conviction and how strongly you actually believe in the results of your work. It helps us avoid falling in love with a bad idea or getting tripped up by biases along the way.

Q: HOW DOES YOUR APPROACH DIFFER WHEN YOU'RE LOOKING AT SMALL-CAP VERSUS LARGE-CAP STOCKS?

A: It's the same team, the same process, the same boxes we need to check before we take a position. The most important input is what do we see that the market doesn't? If you can't answer that question in some compelling way, you're just putting beta into the portfolio. That's not adding alpha.

I think the biggest difference going down capitalization is the frequency of actually discovering opportunities. You can find companies that are under-followed and that haven't caught the attention of the mainstream investment community. You can take a position and wait for that to happen.

When we engage with companies down cap, we're often dealing with management teams who are new to the public markets. We're investors, but we're also aligned with the company. We want the same things, and we're partners. So sometimes we can add value for these companies, helping them navigate new territory as we deploy capital to add alpha to the portfolios.

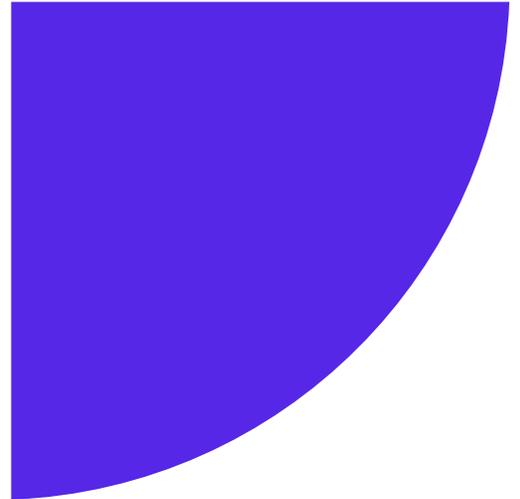
“ The most important input is what do we see that the market doesn't? If you can't answer that question in some compelling way, you're just putting beta into the portfolio.



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:



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

This material is provided for informational purposes only and is for professional/institutional and qualified clients/investors only. Not for retail use outside the U.S. 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.

FOR PROFESSIONAL/QUALIFIED INVESTOR USE ONLY WHEN USED OUTSIDE OF THE U.S.