Allspring

Overview, Strategy, and Outlook

Allspring Money Market Funds

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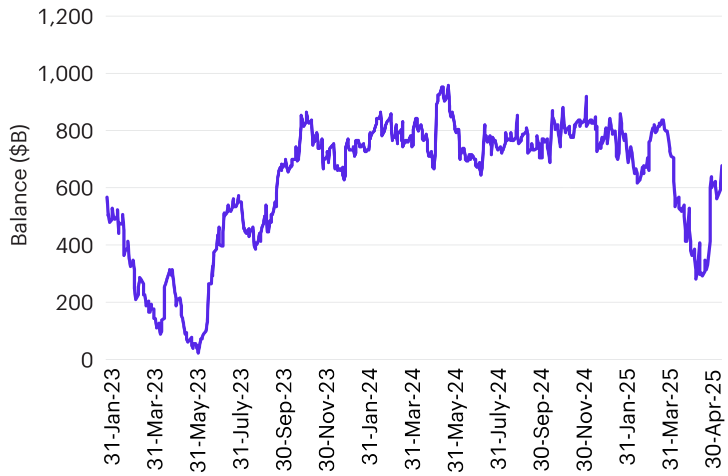
Sector views

U.S. government sector

The economy should soon finally begin reacting to fiscal policy changes; then the data should start to reflect those reactions and the markets and the Federal Reserve (Fed) can get on with determining the proper level of interest rates. Observers have been transfixed—and financial markets unnerved—by the spectacular theater of policy pronouncements and other actions by the new administration, but they've been unsure where the policies will ultimately land. We've gotten some clarity on policymakers' reaction function in April, and there's a good chance we'll have a better idea of the makeup of some of the policies themselves by the end of May. As to the reaction function, the administration had its Liz Truss moment in early April, when the financial markets reacted so strongly to much-higher-than-expected proposed tariffs that the administration had to walk them back just days later. You'll recall that a head of lettuce lasted longer than Ms. Truss did as the U.K.'s prime minister after a negative market reaction to her budget plan. The point of this for the money markets is that the broader financial markets appear to be guardrails of a sort on policy, which means the most extreme policies will likely not come to pass, and so the more severe economic outcomes are also less likely—both from an inflation and growth perspective.

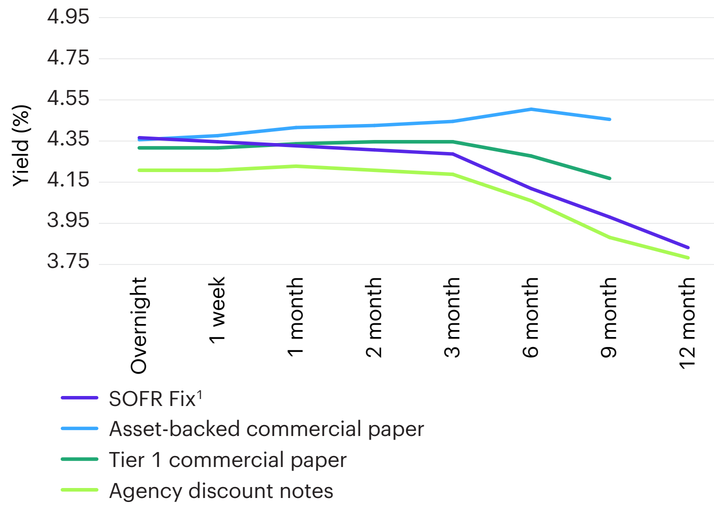
We may soon have a better understanding of not only the tariff regime but also the federal tax and budget bill, which the money markets will be particularly focused on as it should address the debt ceiling as well. Congress is attempting to include the debt ceiling hike in the bill that it intends to pass in the reconciliation process, which can be done with simple majority votes in both Houses, bypassing the need to negotiate with the minority party. This would be a welcome development, as it would potentially resolve the debt ceiling before the government becomes uncomfortably close to running out of money, commonly known as the "x-date." The last time we dealt with the debt ceiling, that pain point arrived in early June 2023, but tax receipts have been stronger this year and the Treasury's cash balance is more than $350 billion higher than it was that year, as shown in the chart below, so we likely won't see an x-date until later in the summer. In early May, the Treasury is expected to announce its first x-date guess, which will then be the deadline for Congress to pass the reconciliation bill.

TREASURY GENERAL ACCOUNT



Source: Bloomberg Finance L.P.

MONEY MARKET YIELD CURVES



Source: Bloomberg Finance L.P.

Prime sector

The pace of the Federal Open Market Committee (FOMC) easing continues to be uncertain as market expectations have oscillated this month, with four 25-basis-point (bp; 100 bps equal 1.00%) eases before year-end currently priced in. All eyes are now on how fiscal policy plays out, how those changes affect economic data, and in turn how the FOMC responds to maintain its dual mandate. In addition to more gradual FOMC easing this year versus last, the short-term funding pressures have continued to affect money market levels, causing issuers to pay a premium yield to attract investors and grow outstandings. This premium has helped the prime yield curve remain positively sloped even in an FOMC easing cycle.

Total commercial paper outstandings (seasonally adjusted) bottomed out at $1.09 trillion on January 1 as banks adjusted liquidity requirements to avoid typical year-end funding pressures and to meet liquidity coverage ratio targets established by regulators. Outstandings have rebounded back to $1.4 trillion as of the April 23 reporting period. As issuers ramped up outstandings, investors demanded a yield premium over short rates, keeping the credit yield curve positively sloped.

Even as issuance has increased and credit yield curves remain positively sloped, credit metrics in the prime space continued to be well supported by favorable market liquidity. Bank capital requirements are stable, while liquidity and interest coverage ratios remain solid. The combination of market liquidity, well-supported credit metrics, and higher yields has made money markets an attractive asset class.

With the FOMC still in an easing cycle, even if the pace has slowed, we continue our strategy of opportunistically extending fixed-rate term purchases while maintaining an enhanced liquidity buffer to meet the liquidity needs of our shareholders. We feel the risk/reward proposition favors extending weighted average maturities[2] to capture above-target yields in an environment that is skewed toward the FOMC delivering future rate decreases.

Municipal sector

The municipal money markets were not immune to the heightened level of volatility that the broader markets experienced in response to President Trump's tariff plan announced in early April. Yields in the municipal money market space rose across the board as the traditional tax-season-related weakness was exacerbated by the turbulence in the financial markets. The Securities Industry and Financial Markets Association (SIFMA) Index,[3] which began the month at 2.87%, rapidly rose to 4.41% (102% of Fed effective) on April 9 as outflows from both municipal money market and bond funds grew, leading up to the tax deadline. Eventually, the SIFMA Index would slowly normalize as the broader financial markets stabilized and asset flows turned positive for municipal money market funds. Ultimately, the SIFMA Index would close out the month at 2.78% (64% of Fed effective). Further out on the curve, yields on high-grade notes in the one-year area rose to 3.21%, up from 2.88% at the end of March.

During the month, we continued to remain selective in our fixed-rate purchases as the FOMC has indicated that it will remain patient with respect to monetary policy in the face of uncertainty surrounding the Trump administration's trade and tariffs policies. Accordingly, we carefully managed our weighted average maturity as we wait for further clarity on major macroeconomic conditions. We retain our bias toward principal stability and liquidity during this time of heightened uncertainty.

On the horizon

The Fed is patiently waiting to see policies and impacts, and it has signaled that while it is in no hurry to move interest rates, it is focused on hard data and will react quickly if the data deteriorates. The expectation is that the trade war will cause higher prices and slower growth. Some Fed members have indicated a belief that prices will be marked up one time, not leading to lasting inflation, in essence considering the price rise transitory. There's ugly recent history with such a decision, and even with a different set of facts, it will be tough for some at the Fed to lower rates while inflation is rising. On the other hand, if the tariffs and resulting rewiring of supply chains result in higher unemployment, the Fed will want to ease and therein lies the conundrum. The futures markets believe it will be resolved in favor of protecting growth, as they currently expect between three and four quarter-point cuts this year. As to the threat to economic growth, it's worth noting that the economy has recently proved incredibly resilient, as economic actors during the pandemic creatively adjusted how they sourced materials and delivered products and services, and then the economy essentially shrugged off the high st interest rates in a generation, powering through the recession that never came. The upcoming months will be a good time for the Fed to remain humble and nimble.

RATES FOR SAMPLE INVESTMENT INSTRUMENTS—CURRENT MONTH-END % (APRIL 2025)

Sector	1 day	1 week	1 month	2 month	3 month	6 month	12 month
U.S. Treasury repos	4.37	4.36	–	–	–	–	–
Fed reverse repo rate	4.25	–	–	–	–	–	–
U.S. Treasury bills	–	–	4.23	4.25	4.23	4.11	3.85
Agency discount notes	4.20	4.20	4.22	4.20	4.18	4.05	3.77
LIBOR	4.36	–	4.32	–	4.28	4.11	–
Asset-backed commercial paper	4.35	4.37	4.41	4.42	4.44	4.50	–
Dealer commercial paper	4.31	4.31	4.33	4.34	4.34	4.27	–
Municipals	2.53	2.78	3.10	3.11	3.12	3.15	3.21

Sources: Bloomberg Finance L.P. and Allspring Global Investments

Past performance is no guarantee of future results.

Fund	7-day current yield
Money Market Fund*–Premier	4.36
Government MMF**–Select	4.26
Treasury Plus MMF**–Select	4.25
100% Treasury MMF**–Inst	4.14

Source: Allspring Funds

The manager has contractually committed to certain fee waivers and/or expense reimbursement through May 31, 2025 (or through May 31, 2026, for Government Money Markey Fund Select Class), to cap the funds' total annual fund operating expenses after fee waivers. Brokerage commissions, stamp duty fees, interest, taxes, acquired fund fees and expenses (if any), and extraordinary expenses are excluded from the expense cap. The manager and/or its affiliates may also voluntarily waive all or a portion of any fees to which they are entitled and/or reimburse certain expenses as they may determine from time to time. Without these reductions, the seven-day current yield for the Select Class of the Government Money Market Fund and Treasury Plus Money Market Fund; the Institutional Class of the 100% Treasury Money Market Fund; and the Premier Class of the Money Market Fund would have been 4.23%, 4.22%, 4.11%, and 4.26%, respectively. Prior to or after the commitment expiration date, the cap may be increased or the commitment to maintain the cap may be terminated only with the approval of the Board of Trustees. The expense ratio paid by an investor is the net expense ratio (the total annual fund operating expenses after fee waivers) as stated in the prospectus.

***Figures quoted represent past performance, which is no guarantee of future results, and do not reflect taxes that a shareholder may pay on an investment in a fund.** Investment returns will fluctuate. The fund's yield figures more closely reflect the current earnings of the fund than the total return figures. Current performance may be lower or higher than the performance data quoted and assumes the reinvestment of dividends and capital gains. Current month-end performance is available at the fund's website, allspringglobal.com*

Money market funds are sold without a front-end sales charge or contingent deferred sales charge. Other fees and expenses apply to an investment in the fund and are described in the fund's current prospectus.

To learn more

We want to help clients build for successful outcomes, defend portfolios against uncertainty, and create long-term financial well-being. To learn more, investment professionals can contact us.

Contact information:

- For retail clients, contact your financial advisor.
- To reach our intermediary sales professionals, contact your dedicated regional director, or call us at **1-866-701-2575**.
- To reach our institutional investment professionals, contact your existing client relations director, or contact us at **AllspringInstitutional@allspringglobal.com**.
- To reach our retirement professionals, contact your dedicated defined contribution investment only specialist, or call us at **1-800-368-1370**.
- To discuss sustainable investing solutions, contact **Henrietta Pacquement**, head of Sustainability, and **Jamie Newton**, deputy head of Sustainability, at **henrietta.pacquement@allspringglobal.com** and **jamie.newton@allspringglobal.com**.

1. SOFR Fix data is provided by Bloomberg Finance L.P. and Allspring. The forward-looking measurements of the Fed's Secured Overnight Financing Rate (SOFR) are based on market expectations implied from leading derivatives markets. SOFR is an interest rate published daily by the Federal Reserve Bank of New York based on Treasury repurchase agreement transactions measuring the cost of overnight cash borrowing.

2. 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.

3. The Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index is a seven-day high-grade market index composed of tax-exempt variable-rate demand obligations with certain characteristics. The index is calculated and published by Bloomberg. The index is overseen by SIFMA's Municipal Swap Index Committee. You cannot invest directly in an index.

**For retail money market funds: You could lose money by investing in the fund. Although the fund seeks to preserve the value of your investment at $1.00 per share, it cannot guarantee it will do so. The fund may impose a fee upon sale of your shares. An investment in the fund is not a bank account and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor is not required to reimburse the fund for losses, and you should not expect that the sponsor will provide financial support to the fund at any time, including during periods of market stress.*

***For government money market funds: You could lose money by investing in the fund. Although the fund seeks to preserve the value of your investment at $1.00 per share, it cannot guarantee it will do so. An investment in the fund is not a bank account and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor is not required to reimburse the fund for losses, and you should not expect that the sponsor will provide financial support to the fund at any time, including during periods of market stress.*

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Carefully consider a fund's investment objectives, risks, charges, and expenses before investing. For a current prospectus and, if available, a summary prospectus, containing this and other information, visit allspringglobal.com. Read it carefully before investing.

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