Allspring

Overview, Strategy, and Outlook

Allspring Money Market Funds

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Money market overview

Sector views

Prime sector

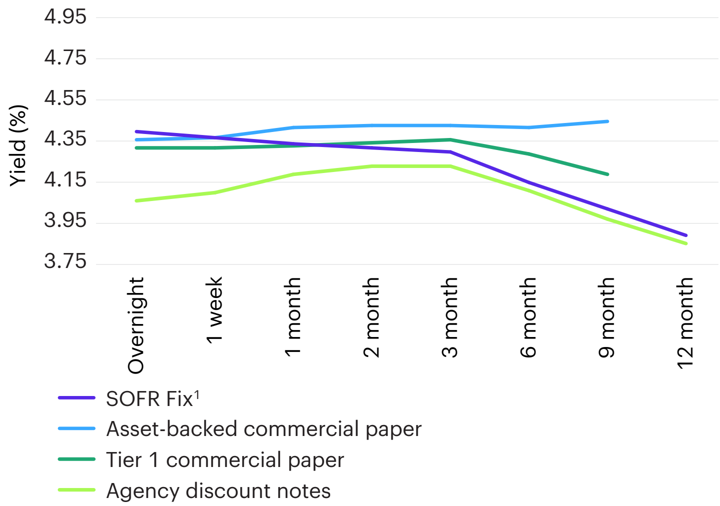
As expected, the Federal Open Market Committee (FOMC) kept policy rates unchanged at 4.25–4.50% for a fourth consecutive meeting, with minimal changes to the statement. Policy guidance continues to remain cautious, in keeping with recent Federal Reserve (Fed) communications. Fed Chair Powell reiterated that the FOMC sees little urgency for making any policy changes in the near term—that the Fed's current stance is well positioned to respond to any material changes that occur. The FOMC is waiting for greater clarity in the data, and the economy so far appears to be providing policymakers with the time they need to make that assessment. Recent hard-data indicators continue to point to an economy that is expanding at a “solid” pace and to labor market conditions that also remain "solid," according to the FOMC's post-meeting statement. Uncertainty remains high, so it may take additional time for the FOMC to get the clarity it is looking for. As Chair Powell noted in the post-meeting presser, the FOMC feels like they're going to learn "a great deal more over the summer on tariffs."

The FOMC also released its Summary of Economic Projections (SEP, or dot plot) after the June meeting. The median policy rate expectation for this year was unchanged relative to March—still looking for two rate cuts. For next year, the median forecast now looks for only one cut instead of the two rate cuts that were expected in March and shows one further rate cut in 2027. The longer-run dot was unchanged at 3.0%. Compared with March, the FOMC now expects below-trend gross domestic product (GDP) growth for 2025–26, firmer inflation (3% for 2025), and a higher path for the unemployment rate at 4.5% for both this year and next.

Chair Powell pointed out several times during the press conference that the SEP uncertainty is unusually elevated and that "individual forecasts are always subject to uncertainty." He also relied on this view to downplay the guidance that market participants may take from June's updated dot plot: "Parties have a diversity of forecasts. And they do align with where their dots are ... Right now, it's a forecast in a foggy time." The FOMC made it abundantly clear that the members are focused on data to direct the path of monetary policy. As Chair Powell mentioned, the FOMC will make a “smarter and better decision if we wait to get a sense of the pass-through of inflation and the effects on spending, and hiring, and all those things."

The money market reaction to the cautious guidance from the FOMC has been to fully price in two 25-basis-point (bp; 100 bps equal 1.00%) eases by year-end, bringing the target range to 3.75–4.00%. This was down from four 25-bp eases seen in April. Focus going forward will continue to be squarely on how fiscal policy plays out, how these policy measures affect economic data, and in turn how the FOMC will respond to maintain its dual mandate. The short-term credit markets have embraced the prospect that the FOMC will lower its policy rate relatively soon, causing the yield curve to slightly invert; one-year yields are lower than short-term yields. This is a change from last month when yield premiums helped the prime yield curve remain positively sloped even in an expected upcoming FOMC easing cycle.

MONEY MARKET YIELD CURVES



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

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.

U.S. government sector

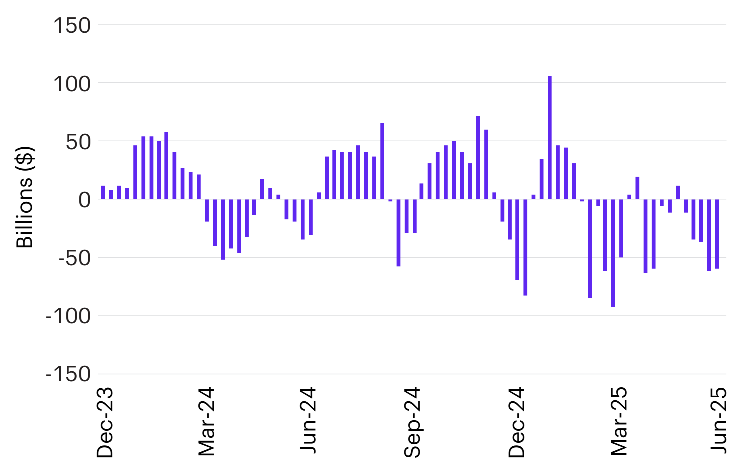
Summer months are generally characterized as baseball, apple pie, and Chevrolet. This summer? Tariffs; the debt ceiling; and the big, beautiful bill. Personally, we'd opt for the former, if given the choice. But we cannot, as the latter dictates possibilities and outcomes in the money markets.

For now, the tariff situation seems to be calming. After the shock and awe that was the April 2 "Liberation Day," the administration has relaxed a number of tariffs and continues to have discussions with major trading partners in an effort to negotiate more favorable outcomes. The economy has yet to see any inflationary impacts from tariffs, but as those numbers are backward-looking, it is still possible that inflation will tick up in the coming months. However, continued benign inflation coupled with a slightly deteriorating employment outlook could mean a resumption of interest rate cuts by the Fed. Stay tuned.

Turning our attention to the debt ceiling and the big, beautiful bill, it appears Congress is getting close to passing the legislation that will maintain tax cuts and cut spending. More importantly for us money market fund portfolio managers, passage of the legislation will also include raising the debt ceiling to a number that will provide the U.S. Treasury ample room to continue issuing new debt, presumably until the midterm elections (if not longer).

Until then, however, we must contend with a Treasury department that is handcuffed in terms of the amount of debt it can issue until a resolution of the debt ceiling. During these periods, the Treasury typically adjusts Treasury bill (T-bill) issuance to remain under the binding limit, as those securities are the simplest to adjust week to week. The chart below illustrates the negative supply impact of a binding debt limit:

WEEKLY NET NEW T-BILL ISSUANCE ($B)



Source: U.S. Treasury

Since the middle of February of this year, we have experienced net negative T-bill supply in 15 out of 18 weeks. Outstanding supply has fallen over $600 billion during that time. For a money market fund industry with assets in excess of $7 trillion, this is an unwelcome event. On the flip side, after the debt ceiling gets raised, the Treasury is expected to immediately increase T-bill issuance. It's the simplest to adjust week to week. Some are calling for as much as $900 billion in new issuance between the debt ceiling resolution and the end of 2025—a very welcome event for the money market fund industry.

Municipal sector

Yields in the municipal money markets continued to normalize during the month of June as reinvestment demand rose to meet with an elevated primary market supply calendar. While the market experienced heightened volatility during the April tax season, demand has become more consistent, resulting in lower yields across the municipal yield curve. The Securities Industry and Financial Markets Association (SIFMA) Index[3] averaged 2.37% (55% of Fed effective) during the month, down from an average of 2.51% (58% of Fed effective) in May. Further out on the curve, yields on high-grade notes in the one-year area dipped to 3.00%, down from 3.08% at the end of May.

We continue 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 ongoing uncertainty surrounding tariff and trade policies. During the month, we continued to emphasize principal stability and liquidity. Accordingly, we continue to focus our allocations to variable-rate demand notes[4] (VRDNs) and tender option bonds (TOBs[5]) for their daily and weekly liquidity profiles.

On the horizon

Fed Chair Powell's comments during the press conference following the June FOMC meeting suggested that Fed watchers like us can take the summer off, so to speak, implying that the central bank would likely hold off on any policy changes until the September meeting. Our "vacation" lasted less than a day as, just the business day after the June meeting, when Chair Powell said monetary policy was in a "good place" four times, Fed Governor Waller was quoted as saying the Fed could cut rates as early as July. Soon after, Fed Governor Bowman also expressed support for a potential interest rate cut at the July meeting, both diverging from Chair Powell's more cautious tone. So, will they patiently wait to see the possible inflationary effects of the tariffs? Or, will they start to lower rates as monetary policy is considered restrictive and economic growth is slowing. We often say "all eyes are on the Fed," but it truly feels like there will be extra scrutiny parsing out each public comment from FOMC members this summer as we approach the first ease in rates after an extended pause. We'll continue to decipher Fed comments and will be back with updates on that, the economy, and interest rate expectations at the beginning of September. Enjoy your summer!

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

Sector	1 day	1 week	1 month	2 month	3 month	6 month	12 month
U.S. Treasury repos	4.39	4.37	–	–	–	–	–
Fed reverse repo rate	4.25	–	–	–	–	–	–
U.S. Treasury bills	–	–	4.18	4.33	4.26	4.19	3.90
Agency discount notes	4.05	4.09	4.18	4.22	4.22	4.10	3.84
SOFR	4.39	–	4.33	–	4.29	4.14	3.88
Asset-backed commercial paper	4.35	4.36	4.41	4.42	4.42	4.41	–
Dealer commercial paper	4.31	4.31	4.32	4.35	4.35	4.28	–
Municipals	3.94	1.92	2.89	2.90	2.91	2.94	3.00

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	4.35
Government MMF**–Select	4.26
Treasury Plus MMF**–Select	4.23
100% Treasury MMF**–Inst	4.11

Source: Allspring Funds

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.

The manager has contractually committed to certain fee waivers and/or expense reimbursement through May 31, 2026, 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%, 4.20%, 4.09%, and 4.25%, 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.

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.

4. Variable-rate demand notes (VRDN) are debt securities commonly held within certain mutual funds. Like all bonds, VRDN values fluctuate in response to the financial condition of individual issuers, general market and economic conditions and changes in interest rates. Changes in market conditions and government policies may lead to periods of heightened volatility in the bond market and reduced liquidity for certain bonds. In general, when interest rates rise, bond values fall and investors may lose principal value. Interest rate changes can be sudden and unpredictable. In addition to credit and interest rate risk, VRDNs are subject to municipal securities risk.

5. A tender-option bond (TOB) is a type of VRDN where a long-term bond is placed into a trust. Floating-rate securities are created from the trust.

**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.*

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Diversification does not ensure or guarantee better performance and cannot eliminate the risk of investment losses.

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