

Overview, Strategy, and Outlook

Allspring Money Market Funds

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Money market overview

Despite thinking that clarity from the effects of tariffs would emerge as the summer progressed, uncertainty still abounds. The fits and starts of changing implementation dates and extensions of country-specific deadlines have delayed what was expected by now-to-be-higher inflation data. The cost of tariffs is now estimated to be reflected in consumer prices during the fall months. The question still remains as to how much of that cost companies will pass on or absorb. But, in general, inflation indicators are expected to be higher, not decreasing as the Federal Reserve (Fed) would expect to happen as the result of restrictive monetary policy.

Sector views

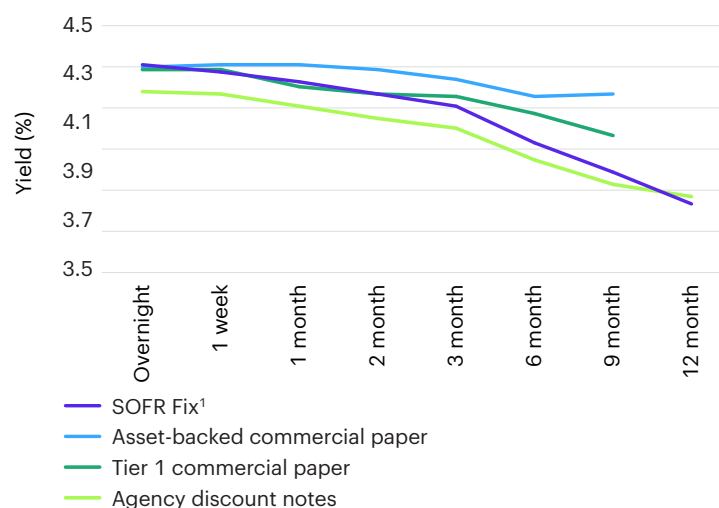
Prime sector

As expected, the Federal Open Market Committee (FOMC) kept policy rates unchanged at the 4.25–4.50% target range at the conclusion of its July meeting. Dissents by Governors Bowman and Waller—in favor of cutting the target rate by 0.25%—were viewed largely as both members indicating interest in replacing Powell as chairman of the Fed. Policy guidance continues to remain cautious, in keeping with recent Fed communications. Chair Powell reiterated that the FOMC sees little urgency for making any policy changes in the near term and that the Fed's current stance is well positioned to respond to any material changes that occur. The FOMC continues to wait 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, labor market conditions that also remain at or near full employment, and inflation that is still above 2%. Uncertainty remains high, but the FOMC appears to be more comfortable with the current inflation readings and the possibility that the impacts of tariffs might be transitory. Now concerns about the fragility of the job market appear to be weighing more heavily and could lead to a rate cut in the near future.

The money market reaction to the FOMC opening the door to rate cuts 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%. But, this compares with four 25-bp eases seen as recently as April. The 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 invert; one-year yields are lower than short-term yields.



MONEY MARKET YIELD CURVES



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

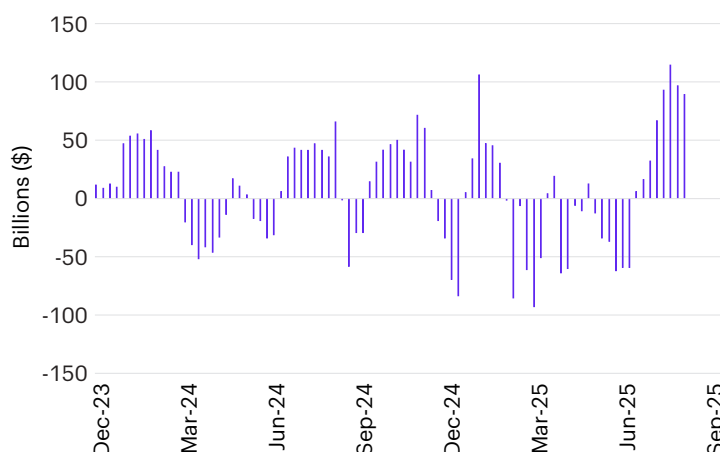
We continue our strategy of opportunistically extending fixed-rate term purchases while maintaining an enhanced liquidity buffer to meet the liquidity needs of our shareholders. We feel the risk/reward proposition favors extending weighted average maturities² to lock in yields in an environment that is skewed toward the FOMC delivering future rate decreases.

U.S. government sector

These summer days tend to fly by, at least for those of us here in the upper Midwest. Two months ago, in our June commentary, we discussed how our market was mired in debt ceiling uncertainty and negative net Treasury bill (T-bill) issuance. The powers that be in Washington D.C. were still hashing out details of the One Big Beautiful Bill (OBBB) Act, which included a potential debt ceiling resolution. Low and behold, just a few short days after our commentary was published, the president signed into law the OBBB. In it, the debt ceiling was raised by a staggering \$5 trillion, to \$41.1 trillion. The new limit will afford the U.S. Treasury ample room to continue issuing debt to pay the country's bills. Educated guessers are forecasting one to two years before the new limit possibly gets breached, and then we'll be back here writing about it—again. Not coincidentally, the new limit will get us past the 2026 midterm elections. Politicians don't like having to explain the debt limit to their constituents while trying to get reelected.

So, what does all this mean for the money markets? Supply, supply, supply. If past debt ceiling episodes have taught us anything, it's that the Treasury immediately makes up for lost time—and revenue—by flooding the market with T-bills after resolution. This time is no different. Recall in our June discussion, net new T-bill issuance was negative for 15 out of the 18 weeks leading up to a resolution. Since then, net T-bill issuance has been positive for 8 straight weeks, as the chart below shows.

WEEKLY NET NEW T-BILL ISSUANCE (\$B)



Source: U.S. Treasury

Since the start of July, we have been gifted with over \$500 billion in net new T-bill issuance. Most of that new supply has come in the form of increased 1- and 2-month auctions, including a record \$100 billion auction of 1-month bills. The new supply has been easily absorbed as money market fund appetite for suitable investments remains insatiable.

Municipal sector

Yields in the municipal money markets continued to normalize during the month of August as robust seasonal reinvestment demand soaked up still-elevated supply. Issuance in the municipal market continues to run heavy, with overall issuance at \$382 billion, up 15% on a year-over-year basis. The Securities Industry and Financial Markets Association (SIFMA) Index³ averaged 2.43% (56% of fed effective) during the month, up from an average of 2.13% (49% of fed effective) in July. Further out on the curve, yields on high-grade notes in the one-year area fell to 2.55%, down from 2.72%, as expectations for the FOMC to lower rates picked up steam.

We continued to remain selective in our fixed-rate purchases out on the curve. While we anticipate that the FOMC will begin cutting rates in the coming months, tax-exempt/taxable ratios remain in rich territory. Therefore, we will remain patient while buying on weakness. During the month, we continued to emphasize principal stability and liquidity. Accordingly, we continue to focus our allocations to variable-rate demand notes (VRDNs) and tender option bonds (TOBs) for their daily and weekly liquidity profiles.



On the horizon

In his speech at the Kansas City Fed’s Jackson Hole conference in mid-August, Chair Powell said, “The baseline outlook and shifting balance of risks may warrant adjusting our policy stance” and the “Stability of the unemployment rate and other labor market measures allows us to proceed carefully as we consider changes to our policy stance.” Even as the FOMC seems to be readying the market for an imminent ease of monetary policy, the stubbornness of prices does cause concern.

Chicago Fed President Goolsbee cited the concern of services inflation, which probably isn’t driven by tariffs, as a dangerous data point. It is going to be a tricky path to balance lower growth prospects, lower payrolls, and higher-than-target-inflation statistics as the Fed navigates rates to slightly easier policy. As Chair Powell also said, “Monetary policy is not a preset course and is data dependent.”

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

Sector	1 day	1 week	1 month	2 month	3 month	6 month	12 month
U.S. Treasury repos	4.34	4.34	–	–	–	–	–
Fed reverse repo rate	4.25	–	–	–	–	–	–
U.S. Treasury bills	–	–	4.25	4.16	4.11	3.94	3.83
Agency discount notes	4.23	4.22	4.17	4.12	4.08	3.95	3.80
SOFR	4.34	–	4.27	–	4.17	4.02	3.77
Asset-backed commercial paper	4.33	4.34	4.34	4.32	4.28	4.21	–
Dealer commercial paper	4.32	4.32	4.25	4.22	4.21	4.14	–
Municipals	2.75	2.29	2.61	2.62	2.63	2.66	2.72

Fund	7-day current yield (%)
Money Market Fund*–Premier	4.35
Government MMF**–Select	4.24
Treasury Plus MMF**–Select	4.20
100% Treasury MMF**–Inst	4.11

Source: Allspring Funds

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

Past performance is no guarantee of future results.

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 4.21%, 4.16%, 4.08%, and 4.24%, 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.

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