

Overview, Strategy, and Outlook

Allspring Money Market Funds

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Money market overview

After a nine-month pause, the Federal Open Market Committee (FOMC) cautiously dipped its toes back into easing mode this month. Following a summer of subdued nonfarm payrolls and steady-ish (albeit higher than target) inflation, the FOMC reduced the “modestly restrictive” target rate by 25 basis points (bps; 100 bps equal 1%) to a rate range of 4.00–4.25%. It was termed a “risk management cut” after revisions to payroll data painted a weaker picture of the labor market, with the meeting statement changed to note that “job gains have slowed, and the unemployment rate has edged up.” This meeting was accompanied by the quarterly release of the FOMC members’ Summary of Economic Projections, also known as the “dot plot.” The median dot showed the FOMC expected three (total) 25-bp moves in 2025. Counterintuitive to still two more expected eases, the dots showed gross domestic product 0.2% higher in both 2025 and 2026 and the unemployment rate lower by 0.1% in 2026 and 2027. However, if the one dot that had 150 bps of eases for 2025 was excluded, the balance of survey participants expected one or two 25-bp eases for the year.

Sector views

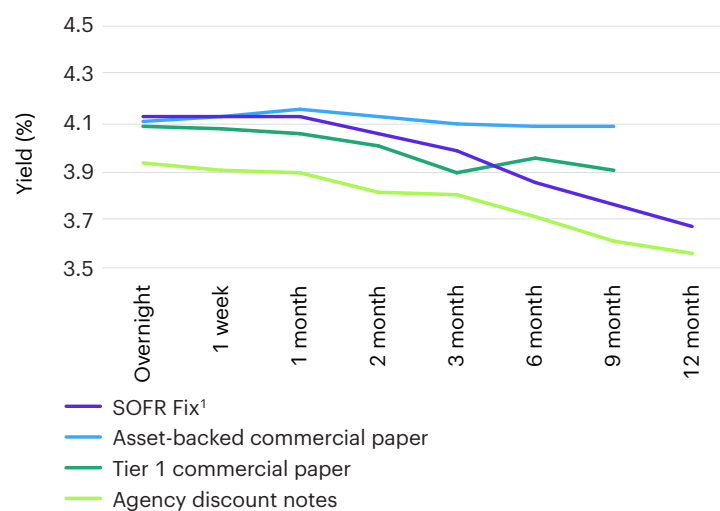
Prime sector

The FOMC lowered its policy rate by 0.25% at the conclusion of the September meeting, bringing the target rate range down to 4.00–4.25%. There was one dissent in favor of a 50-bp ease by newly appointed Governor Miran. The forward-looking news was mixed. The Summary of Economic Projections and the statement were more dovish than expected. However, Federal Reserve (Fed) Chair Powell’s press conference was more hawkish. Chair Powell noted that “there are no risk-free paths now. It’s not incredibly obvious what to do, so we have to keep our eye on inflation. At the same time, we cannot ignore and must keep our eye on maximum employment.” The FOMC appears it will prioritize the employment mandate for the remainder of the year, particularly as growing labor market slack should limit inflation effects from tariffs. 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. Continued concerns about the fragility of the job market now appear to be weighing more heavily on policymakers and could lead to another rate cut (or cuts) in the near future.

The money market reaction to the FOMC opening the door to additional rate cuts has been to almost fully price in two 25-bp eases by year-end, bringing the target range to 3.50–3.75%. 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 again relatively soon, keeping the yield curve inverted—meaning 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 (WAM) to lock in yields in an environment that is skewed toward the FOMC delivering future rate decreases.

U.S. government sector

The U.S. government is set to shut down on October 1 unless political cooperation occurs between Congress and the president. A shutdown happens when Congress fails to pass legislation to fund the federal government and the president does not sign a funding bill into law before the start of the new fiscal year, which runs from October 1 of the current year until September 30 of the following year. This causes a lapse in appropriations, leading to the closure of many federal agencies and services. These are services that are not immediately necessary to protect life, property, or national security. Some services affected include passport and visa processing, education programs, national parks and public lands, and Internal Revenue Service (IRS) and taxpayer services. Employees in these areas are usually furloughed (sent home without pay). As important, a shutdown can significantly affect the release of key economic data, because many of the agencies responsible for collecting and reporting this data are either partially or fully closed. Examples include the monthly jobs report; inflation measures such as the Consumer Price Index, the Producer Price Index, and personal consumption expenditures; retail sales; and trade balance.

Essential services not affected by a shutdown include Social Security/Medicare/Medicaid payments, military operations, air traffic control and Transportation Security Administration (TSA), border patrol, and veteran hospitals and services. In addition, and arguably as important to our readers, the U.S. Department of the Treasury (Treasury) continues to issue new securities during a shutdown. The Treasury's key financial functions, including

debt issuance, interest payments, and cash management, are designated as essential government services and are also exempt from employee furloughs.

We've written quite a bit lately about the debt ceiling, which you may recall was resolved back in July. If interested, you can read our FAQ on the debt ceiling here: <https://www.allspringglobal.com/globalassets/assets/public/pdf/resources/mm-primers/the-debt-ceiling-frequently-asked-questions.pdf>. A government shutdown and the debt ceiling are often confused because both involve federal funding and political gridlock, but they are very different issues with distinct consequences. In its simplest terms, a shutdown means the government cannot spend new money while the debt ceiling means the government cannot borrow more money to pay existing bills. With the debt ceiling being raised and not expected to become topical again until well after the 2026 midterm elections, the risk of a government shutdown today will have no impact on the Treasury's ability to continue to issue securities to fund the government, regardless of whether they spend it now or later.

Municipal sector

Yields in the municipal money markets were mixed during the month of September despite the highly anticipated rate cut by the FOMC on September 17. The municipal space continues to contend with elevated new issue supply while demand has remained relatively steady with inflows into both money market and bond funds during the month. The Securities Industry and Financial Markets Association³ (SIFMA) Index averaged 2.70% (64% of fed effective), up from 2.43% (56% of fed effective) in August. Further out on the curve, yields on high-grade notes in the one-year area continued to drift lower. High-grade one-year levels fell to 2.46%, down from 2.55% the previous month.

We continued to remain selective in our fixed-rate purchases out on the curve. While we anticipate that the FOMC will continue to adjust monetary policy toward lower benchmark yields over the coming months, stubborn inflation may make it difficult for the FOMC to be overly aggressive in lowering rates. We also continued to emphasize principal stability and liquidity with our high allocation to variable-rate demand notes (VRDNs) and tender option bonds (TOBs) for their daily and weekly liquidity profiles.

On the horizon

A favorite quote from Chair Powell's press conference following the September FOMC meeting was "forecasters are a humble lot with a lot to be humble about." Said humbleness might be further strained if the pending government shutdown becomes a fact. The move by the FOMC to lower rates this month was highlighted by bringing attention to their full employment mandate while pointing out that inflation was still higher than target. The clarity on both employment and prices might get very muddy without official government statistics being published. If an agreement can be reached, the mud should be cleared by this time next month.



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

Sector	1 day	1 week	1 month	2 month	3 month	6 month	12 month
U.S. Treasury repos	4.21	4.16	–	–	–	–	–
Fed reverse repo rate	4.00	–	–	–	–	–	–
U.S. Treasury bills	–	–	4.05	4.01	3.88	3.78	3.60
Agency discount notes	3.94	3.91	3.90	3.82	3.81	3.72	3.57
SOFR	4.13	–	4.13	–	3.99	3.86	3.68
Asset-backed commercial paper	4.11	4.13	4.16	4.13	4.10	4.09	–
Dealer commercial paper	4.09	4.08	4.06	4.01	3.90	3.96	–
Municipals	3.65	2.89	2.35	2.36	2.37	2.40	2.46

Fund	7-day current yield (%)
Money Market Fund*–Premier	4.16
Government MMF**–Select	4.07
Treasury Plus MMF**–Select	4.03
100% Treasury MMF**–Inst	3.99

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 4.04%, 4.00%, 3.96%, and 4.06%, 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.

**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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