Allspring

Overview, Strategy, and Outlook

Allspring Money Market Funds

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Money market overview

Economic news headlines were book-ended this month. October began with the government shutdown and concluded with the Federal Open Market Committee (FOMC) meeting. But with the lack of official government economic data, the pages filling the book were mostly blank. The phrase “data dependent” is often used by the Federal Reserve (Fed)—usually accompanied with, “we are not on a pre-set course,” “every meeting is live,” etc. But with the only labor data available being state unemployment claims and job openings and the general economic picture from the Institute for Supply Management, the available data doesn’t tell the complete story.

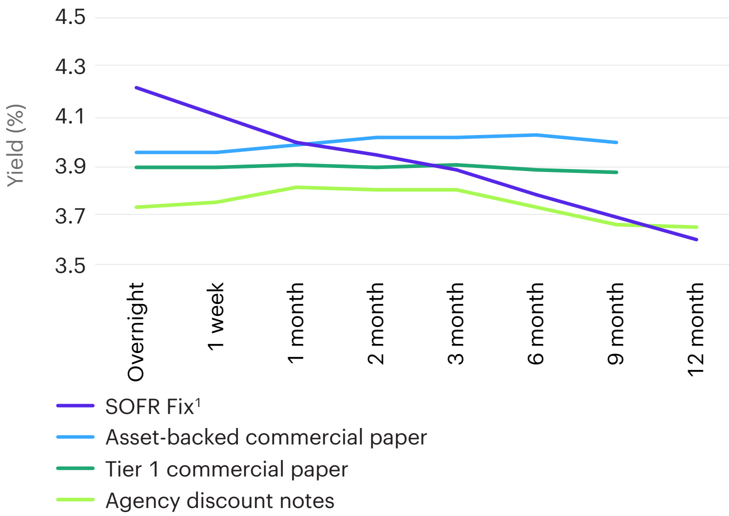
Sector views

Prime sector

In consecutive moves, the FOMC again lowered its policy rate by 0.25% at the conclusion of the October meeting, bringing the target rate range down to 3.75–4.00%. Governors Miran and Schmid dissented this time, one in favor of a 50-basis-point (bp; 100 bps equal 1.00%) ease (Miran) and one for no change (Schmid). Fed Chair Powell’s press conference was hawkish. Seemingly in a rebuttal to the almost fully priced in ease that was expected for the December meeting, Chair Powell noted that “an ease in December is not a foregone conclusion, far from it.” As evidenced by the divergent dissents, Chair Powell noted “strongly differing views” setting up the possibility of a pause for December. He again noted the FOMC was taking a risk management approach by easing again at this time. 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. Private sector 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 coming months.

The money market reaction to the pushback of another immediate rate cut has been to scale back the timing of eases. Futures still reflect the possibility of a move at the next meeting in December, but currently, a full 25-bp ease is now priced in for the January meeting. 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. In short-term credit markets, the yield curve is still inverted, reflecting expectations that the FOMC will lower its policy rate again relatively soon, but fixed rates rose as the possibility of an immediate move became more cloudy.

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 lock in yields in an environment that is skewed toward the FOMC delivering future rate decreases.

U.S. government sector

On December 1, 2025, the Fed will officially end its program of quantitative tightening (QT)—a major shift in U.S. monetary policy that has implications for financial markets, interest rates, and the broader economy. Understanding what QT is and why ending it matters requires looking at how the Fed manages liquidity and influences economic conditions through its balance sheet.

QT is the process by which the Fed reduces the size of its balance sheet to pull excess liquidity out of the financial system. During periods of economic stress, the Fed often undertakes the opposite policy, known as quantitative easing (QE)—buying large amounts of government securities and mortgage-backed securities (MBS) to lower long-term interest rates and stimulate borrowing and investment.

QT, by contrast, works in reverse. Instead of buying securities, the Fed allows the ones it already owns to mature without replacing them. In other words, when a Treasury bond or MBS held by the Fed matures, the Fed does not reinvest the proceeds into a new bond. This process slowly shrinks the central bank's balance sheet and removes reserves from the banking system.

By draining liquidity, QT puts upward pressure on long-term interest rates and tends to tighten financial conditions. That makes it harder for businesses and households to borrow, helping slow the economy and reduce inflationary pressures. The policy has been one of the main tools the Fed has used since mid-2022 to complement its aggressive interest rate hikes aimed at curbing post-pandemic inflation.

The decision to end QT in December 2025 reflects a careful balancing act. While QT helps control inflation by reducing liquidity, it can also strain the financial system if taken too far. As the Fed's balance sheet has shrunk, bank reserves have declined and liquidity in short-term funding markets has begun to tighten. Signs of stress—such as rising usage of the Fed's Standing Repo Facility—suggested that further runoff might risk disrupting market functioning.

Ending QT means that the Fed will stop shrinking its holdings of Treasury securities and will instead reinvest proceeds from maturing Treasuries back into new ones. For MBS, it will continue allowing up to $35 billion to roll off each month but will reinvest those proceeds into Treasury bills rather than MBS. This move effectively stabilizes the size of the Fed's balance sheet and signals a shift from active tightening toward a neutral or steady stance.

The timing also reflects the Fed's desire to maintain adequate reserves in the banking system. Policymakers have repeatedly emphasized the need for an "ample reserves" framework, meaning that banks should have enough liquidity to meet obligations comfortably without depending heavily on the Fed's emergency lending tools.

QT is one of the most powerful yet least visible tools in the Fed's arsenal. By ending QT, the Fed is acknowledging that the risks of draining too much liquidity now outweigh the benefits of continuing to fight inflation through balance sheet reduction. The focus will likely shift back to fine-tuning interest rate policy and ensuring that inflation continues to move toward the 2% target without destabilizing markets.

Municipal sector

Yields in the municipal money space were mixed for the second month in a row following yet another rate cut by the FOMC on October 29. The Securities Industry and Financial Markets Association[3] (SIFMA) Index was relatively stable, averaging 2.69% (66% of Fed effective) for the month. Further out on the curve, yields on high-grade fixed-rate paper ended the month 10–15 bps higher across the board. Yields on benchmark paper in the one-year space closed out the month at 2.60%, up from 2.46%.

While we anticipate that the FOMC will continue to adjust monetary policy toward lower benchmark yields over the coming months, above-target inflation may make it difficult for the Fed to be overly aggressive in lowering rates. Accordingly, we have remained selective in our fixed-rate purchases out on the curve. We also continued to emphasize principal stability and liquidity with our high allocation to variable-rate demand notes[4] (VRDNs) and tender option bonds[5] (TOBs) for their daily and weekly liquidity profiles.

On the horizon

As the lack of official economic data releases continues, the forecast remains foggy. And as Chair Powell suggested, we might need to slow down with rate cuts. "What do you do if you are driving in the fog? Slow down. Again, I am not committing to that, but I am saying it is certainly a possibility that you would say, we really can't see, so let's slow down." Here's to a compromise being reached and data flowing again.

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

Sector	1 day	1 week	1 month	2 month	3 month	6 month	12 month
U.S. Treasury repos	4.16	4.16	–	–	–	–	–
Fed reverse repo rate	3.75	–	–	–	–	–	–
U.S. Treasury bills	–	–	3.90	3.95	3.83	3.83	3.70
Agency discount notes	3.74	3.76	3.82	3.81	3.81	3.74	3.66
SOFR	4.22	–	4.00	–	3.89	3.79	3.61
Asset-backed commercial paper	3.96	3.96	3.99	4.02	4.02	4.03	–
Dealer commercial paper	3.90	3.90	3.91	3.90	3.91	3.89	–
Municipals	3.90	3.22	2.49	2.50	2.51	2.54	2.60

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	4.16
Government MMF**–Select	4.06
Treasury Plus MMF**–Select	3.98
100% Treasury MMF**–Inst	3.86

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 4.03%, 3.95%, 3.84%, 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.

4. Variable Rate Demand Notes (VRDNs) 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.

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

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