

Overview, Strategy, and Outlook

Allspring Money Market Funds

CONTRIBUTING AUTHORS

Jeffrey L. Weaver
 Head of Global Liquidity Solutions
 628-266-1214
 jeff.weaver@allspringglobal.com

Michael C. Bird
 Senior Portfolio Manager,
 Taxable Money Funds
 612-351-0675
 michael.c.bird@allspringglobal.com

James C. Randazzo
 Senior Portfolio Manager,
 Municipal Money Markets
 704-533-8784
 jrrandazzo@allspringglobal.com

Madeleine M. Gish
 Senior Portfolio Manager,
 Taxable Money Funds
 628-266-1054
 madeleine.gish@allspringglobal.com

Daniel J. Tronstad
 Senior Portfolio Manager,
 Taxable Money Funds
 612-895-1827
 daniel.j.tronstad@allspringglobal.com

Vladislav Stavitskiy
 Senior Portfolio Manager,
 Taxable Money Funds
 628-266-1177
 vlad.stavitskiy@allspringglobal.com

Sector views

Prime sector

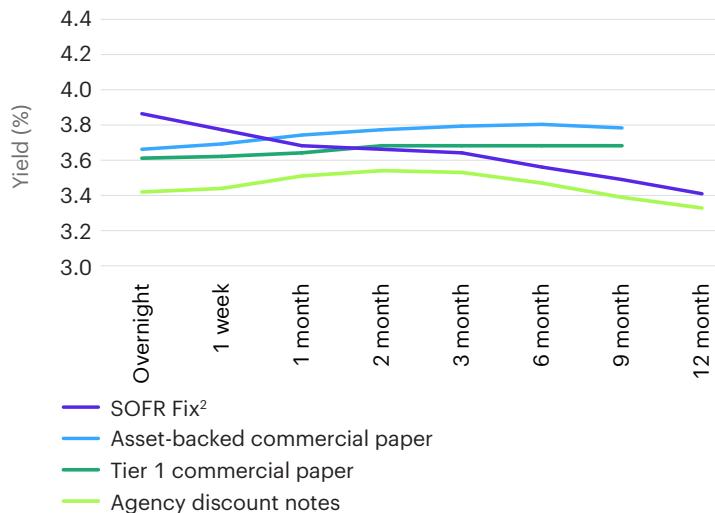
As anticipated, the Federal Open Market Committee (FOMC) lowered policy rates by 0.25% to a target range of 3.50–3.75% at the conclusion of its December meeting. Three members of the committee dissented the policy decision at this meeting—a telling event, as three formal dissents at an FOMC meeting hasn't occurred since 2019. Governor Miran again thought they should decrease rates by a half of a percentage point, while Federal Reserve (Fed) Presidents Goolsbee and Schmid thought no change was appropriate. The release noted that even though inflation remains elevated and above the 2% target level, job gains have slowed and the unemployment rate is edging upward. It seems the policy rate discussion and uncertainty will continue into the new year as well. The median expectations for policy rates from the Summary of Economic Projections—also referred to as the dot plot—show one ease expected in 2026. But really, only four dots show one ease. Seven members surveyed predict the current rate or higher rates will be appropriate, while eight saw at least 50 basis points (bps; 100 bps equal 1.00%) of easing. The median longer-term dot shows 3.00% as the level at which the target rate shakes out in 2027. In addition, the dots reflected gross domestic product growth higher for 2026 and inflation only modestly lower, which again makes further changes to the target rate unlikely unless unemployment were to rise dramatically.

Multiple times at the press conference, Fed Chair Powell said this move put them “well positioned” and “within a range of plausible estimates of neutral.” The meeting statement noted that they will carefully assess incoming data “in considering the extent and timing of additional adjustments,” a fall back to language used between December 2024 and the summer of 2025 when the FOMC had paused previously. The chair also noted that job growth was potentially overstated, implying that recent job growth might be negative and, thus, providing the FOMC a reason to cut this month instead of delay into the new year.

The money market reaction has been to scale back the timing of eases. Futures currently reflect the possibility of the next ease midyear, after the new Fed chair takes the helm. 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 slightly inverted, reflecting expectations that the FOMC will be on hold for the foreseeable future.

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 maturities¹ to lock in yields in an environment that is skewed toward the FOMC delivering future rate cuts.

MONEY MARKET YIELD CURVES



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

U.S. government sector

On December 10, 2025, the FOMC announced that it would resume purchases of Treasury bills on December 12 at a pace of approximately \$40 billion per month. The move marks a shift from quantitative tightening back to what the Fed calls reserve management purchases, aimed at sustaining sufficient reserves in the banking system.

The Fed made this strategic pivot because it had observed that bank reserves had declined to what it views as merely “ample” levels—dropping from previously expansive levels maintained during the pandemic era. This decline pulled short-term money market rates upward, causing funding stress across repo markets just before year-end. By reintroducing bill purchases, the Fed seeks to stabilize liquidity and maintain efficient control over the federal funds rate.

Markets responded swiftly and favorably:

- Repo rates, particularly year-end general collateral rates, dropped from around 4.25% to 4.00%, signaling relief in short-term funding markets.
- Two-year swap spreads widened, suggesting reduced stress and improved liquidity.
- Money market futures prices shifted, reflecting investor expectations of more stable borrowing costs.

This announcement has multiple implications for investors:

- Enhanced liquidity in the short end of the yield curve may flatten yields, reducing stress for money market funds and short-duration investors.
- The decision is largely technical, not a shift in the policy stance—Fed officials emphasize that this isn't easing intended to stimulate demand.
- Nonetheless, some market participants view it as “covert easing,” which could support risk assets, such as equities and corporate credit, due to anticipated better financing conditions.

This decision represents a return to the Fed's hands-on liquidity management, reminiscent of repo market interventions in 2019. While it doesn't signal a dovish pivot in policy, it does indicate that the Fed is actively managing financial plumbing to prevent volatility in the funding markets. Over time, this approach could reshape yield curve dynamics, particularly at the short end, and influence valuations for duration-sensitive assets like short-term government bonds, money market funds, and conservative corporate bonds.

The Fed signaled that the initial elevated pace of \$40 billion per month in bill purchases will continue for a few months, especially through seasonal pressures such as those from tax events, before potentially declining to levels more reflective of standard operating conditions. In effect, investors should expect a smoother environment for short-term funding rates and anticipate the Fed's continued fine-tuning of liquidity conditions, independent of shifts in the monetary policy stance.



Municipal sector

Yields in the municipal money space were mixed during the month as overnight and weekly rates remained elevated despite another rate cut by the FOMC on December 10. The Securities Industry and Financial Markets Association³ (SIFMA) Index averaged 2.85% (77% of Fed effective), up from an average of 2.72% (70% of Fed effective) in November. Further out the curve, yields on high-grade fixed-rate paper drifted modestly lower with one-year yields closing out the month at 2.59%, down from 2.61%. The relative attractiveness of tax-exempts resulted in roughly \$6 billion of inflows into municipal money market funds, according to Crane Data.

Looking forward to 2026, we continue to anticipate that the FOMC will seek to normalize monetary policy but will need to delicately balance the increasing risks to employment with an inflation rate that remains above the Fed's target. Accordingly, we will remain selective in our fixed-rate purchases out on the curve. We will also continue to emphasize principal stability and liquidity by maintaining exposures to variable-rate demand notes⁴ (VRDNs) and tender option bonds⁵ (TOBs) for their daily and weekly liquidity profiles.

On the horizon

President Trump has long been a harsh critic of the FOMC, dubbing the Fed chair “too late” Powell and saying target rates should be much lower. Powell’s term as chair is up in May 2026. Interviews have been ongoing to find his replacement. The announcement of the chosen candidate to replace him is expected in January. The perceived front-runner, National Economic Council Head Kevin Hassett, supposedly got pushback from folks who have the president’s ear. So, will it be Hassett or one of the other contenders—former Fed Governor Kevin Warsh; Rick Rieder, current BlackRock global fixed income CIO; or current Fed Governor Christopher Waller? In any case, the new chair will be expected to lower rates quickly. If inflation is still elevated, we could see even more divergent voting on monetary policy.

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

Sector	1 day	1 week	1 month	2 month	3 month	6 month	12 month
U.S. Treasury repos	3.83	3.78	-	-	-	-	-
Fed reverse repo rate	3.50	-	-	-	-	-	-
U.S. Treasury bills	-	-	3.50	3.55	3.55	3.50	3.45
Agency discount notes	3.43	3.45	3.52	3.55	3.54	3.48	3.34
SOFR	3.87	-	3.69	-	3.65	3.57	3.42
Asset-backed commercial paper	3.67	3.70	3.75	3.78	3.80	3.81	-
Dealer commercial paper	3.62	3.63	3.65	3.69	3.69	3.69	-
Municipals	2.50	2.36	2.48	2.49	2.50	2.53	2.59

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 3.68%, 3.65%, 3.59%, and 3.72%, 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.

Fund	7-day current yield (%)
Money Market Fund*—Premier	3.82
Government MMF**—Select	3.71
Treasury Plus MMF**—Select	3.69
100% Treasury MMF**—Inst	3.61

Source: Allspring Funds



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. 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.

2. 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.

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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