

Overview, Strategy, and Outlook

Allspring Money Market Funds

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Money market overview

U.S. tariff policy has undergone rapid and consequential shifts throughout 2025 and into 2026, reshaping trade flows, inflation expectations, and financial market dynamics. These developments matter not only for importers and manufacturers but also for short term fixed income markets, especially money market funds (MMFs), whose yields and liquidity are tied closely to Treasury bills, agency discount notes, inflation expectations and the Federal Reserve's (Fed) policy outlook.

A major turning point occurred February 20, 2026, when the U.S. Supreme Court ruled that tariffs imposed under the International Emergency Economic Powers Act (IEEPA) were unconstitutional, immediately invalidating reciprocal and fentanyl related tariffs applied since 2025. This decision removed a significant portion of the tariff structure implemented over the previous year. In response, the administration moved quickly to preserve tariff leverage by invoking Section 122 of the Trade Act of 1974, authorizing up to a 15% tariff on most imports starting February 24, 2026. Exemptions include goods and products compliant with the United States-Mexico-Canada Agreement and already covered by Section 232 tariffs (such as steel and aluminum). This action effectively replaced the now invalidated IEEPA tariffs with a new statutory mechanism.

Economic research confirms that tariffs have raised consumer prices across major categories, with costs of imported core goods up roughly 1.0% and durable goods up 1.3% during 2025. Additional evidence suggests that nearly 90% of the economic burden of 2025's tariff increases fell on U.S. firms and consumers, highlighting significant pass through to domestic prices. U.S. effective tariff rates surged from historically low levels to sharply higher levels in 2025. For example, China's effective rate rose to roughly 45% by mid 2025 before partial reversals. Tariffs also generated substantial federal revenue, with one estimate showing \$195 billion above the 2022-2024 average by early 2026. These revenues reflect broad increases in duties, despite ongoing exemptions and supply chain adjustments. Although small relative to total federal financing needs, higher tariff revenue may reduce near term Treasury issuance at the margin.

Tariff-driven macroeconomic effects indirectly influence money market fund yields, risk profile, and investor flows. Tariffs can influence inflation dynamics, and inflation influences Fed policy, ultimately affecting short term rates and, by extension, money market fund yields.

Recent tariff developments—especially the Supreme Court's invalidation of IEEPA tariffs and the subsequent shift to Section 122—have reshaped the policy landscape heading into 2026. These changes raise inflation uncertainties, alter federal revenue flows, and contribute to market volatility.



Sector views

U.S. government sector

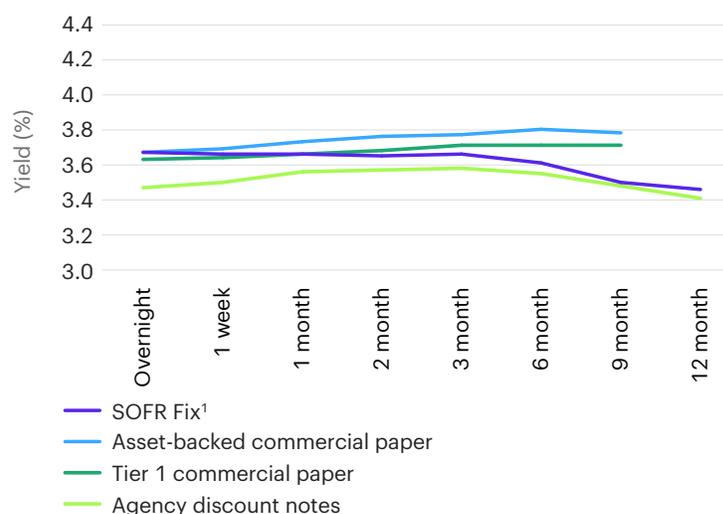
While U.S. government money market funds do not hold corporate credit or tariff exposed assets, they are deeply affected by macroeconomic and policy channels. Any meaningful changes in bill issuance could influence supply demand dynamics in government MMFs, which rely heavily on Treasury bills. The net effect of current tariff dynamics likely points to yield volatility, possible strong demand for safe haven liquidity, and potential shifts in Treasury bill supply, all of which will likely shape the operating environment for government MMFs over the next year.

Prime sector

Uncertainty over the pace of future moves by the Federal Open Market Committee (FOMC) continued this month. Market expectations have oscillated between pricing in one rate decrease to almost three 25-basis-point eases (bps; 100 bps equal 1.00%) of the target fed funds rate before year-end. Focus remains on how fiscal policy and tariff changes play out, how those changes impact economic data and, in turn, how the FOMC responds to maintain its dual mandate. In addition to more gradual FOMC easing this year versus last, the short-term impacts of year-end funding pressures have continued to affect funding levels into the new year. Total commercial paper outstandings (seasonally adjusted) increased in December by \$60 billion, increased again in January by \$40 billion, and continued higher in February where outstandings are \$1.4 trillion as of February 18. As issuers ramped up borrowing, investors demanded a yield premium over short rates. This premium has helped the prime yield curve to remain flat to slightly positively sloped even in an FOMC easing cycle.

Even as issuance has increased and credit yield curves remain positively sloped, credit metrics in the prime space continued to be well supported by favorable market liquidity. Bank capital requirements are stable, while liquidity and interest coverage ratios remain solid. The combination of market liquidity, well-supported credit metrics, and higher yields have made money markets an attractive asset class.

MONEY MARKET YIELD CURVES



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

With the FOMC still in an easing cycle—even if the pace has slowed—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 to capture above target yields in an environment skewed toward the FOMC delivering future rate decreases.

Municipal sector

The municipal money market space continued to experience the lingering impacts of the “January effect,” with volatility in the overnight and weekly sectors reflecting the mismatch between supply and demand. The Securities Industry and Financial Markets Association² (SIFMA) Index averaged 2.22% (61% of Fed Effective) up from 1.62% (44% of Fed Effective) in January. Further out on the curve, yields on high-grade fixed paper continued to fall, with generic scales roughly 10–15 bps lower for the month. High-grade yields in the one-year space fell to 2.29%, down from 2.44% the previous month.

During the month, we remained selective in our fixed-rate purchases out on the curve; we expect the FOMC to reduce the pace of interest rate cuts as the risks to the Fed’s dual mandate have become more balanced. We will continue to emphasize principal stability and liquidity by maintaining exposures to variable rate demand notes³ (VRDNs) and tender option bonds⁴ (TOBs) for their daily and weekly liquidity profiles.



On the horizon

The U.S.-Israeli strike on Iran at month-end has shifted the immediate focus of financial markets. Duration of the conflict and possible oil supply disruption is now front and center. A quick resolution to the conflict with short-lived spike in oil prices would limit the inflationary impact. If there is a shock to inflation without continued rising prices and GDP takes a hit, it might be

possible to look through the increase and cut rates. If the conflict is not short-lived, and inflationary pressures increase and feed into other sectors of the economy, central banks might instead have to tighten. High uncertainty in this dynamic situation makes it difficult to predict the economic trajectory and future policy actions by the FOMC. We are closely monitoring developments.

RATES FOR SAMPLE INVESTMENT INSTRUMENTS—CURRENT MONTH-END % (FEBRUARY 2026)

Sector	1 day	1 week	1 month	2 month	3 month	6 month	12 month
U.S. Treasury repos	3.67	3.67	–	–	–	–	–
Fed reverse repo rate	3.50	–	–	–	–	–	–
U.S. Treasury bills	–	–	3.62	3.62	3.60	3.54	3.45
Agency discount notes	3.48	3.51	3.57	3.58	3.59	3.56	3.42
SOFR	3.68	–	3.67	–	3.67	3.62	3.47
Asset-backed commercial paper	3.68	3.70	3.74	3.77	3.78	3.81	–
Dealer commercial paper	3.64	3.65	3.67	3.69	3.72	3.72	–
Municipals	1.96	1.88	2.18	2.19	2.20	2.23	2.29

Fund	7-day current yield (%)
Money Market Fund*–Premier	3.72
Government MMF**–Select	3.62
Treasury Plus MMF**–Select	3.62
100% Treasury MMF**–Inst	3.52

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. Yields will fluctuate. 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 funds' 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 3.59%, 3.58%, 3.50%, and 3.63%, 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. 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.

3. 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.

4. 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 markets: 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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