Allspring

# Overview, Strategy, and Outlook

## Allspring Money Market Funds


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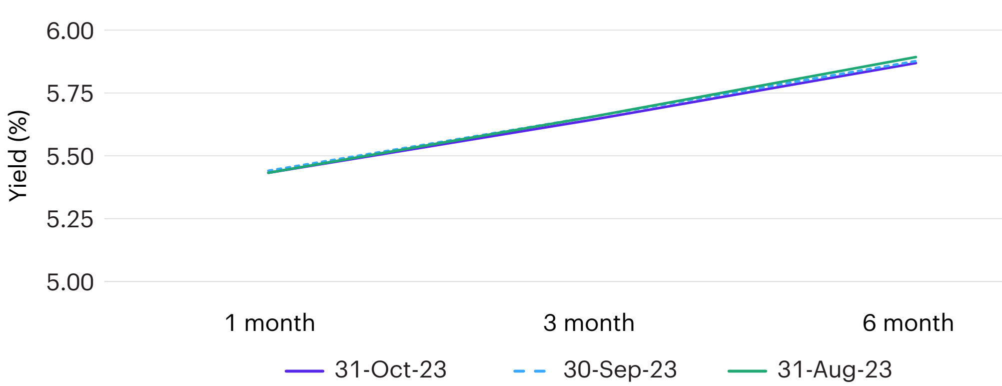
## Sector views

### Prime sector

The Federal Open Market Committee (FOMC) is widely expected to leave its target rate range unchanged at 5.25% to 5.50% at the conclusion of its policy meeting on November 1. If this proves to be the case, this continued "pause" in the rate hiking cycle would come despite relatively strong economic news reported for September: the addition of 336,000 new jobs, a reported 4.9% third quarter real gross domestic product growth, and above-target month-over-month core Personal Consumption Expenditures (PCE)[1] inflation of 0.30%. One recent factor, however, may allow the Federal Reserve (Fed) to focus on something other than the economic data, and that is the rapid rise in 10-year Treasury yields to around 5%. This will most likely allow the FOMC to pause rate hikes and monitor how higher longer-term rates affect future economic activity. But as Fed Chair Powell indicated in a speech two weeks ago, the fundamental upside risk to inflation has not changed, which may lead the Fed's official statement language and Chair Powell's comments to keep the optionality of further hikes on the table.

As the FOMC continues to leave the door open to the possibility of additional rate hikes, the front end of the rates curve continues to be positively sloped and remains an attractive asset class. In this interest rate environment of higher for longer, coupled with the possibility of additional rate hikes, money markets offer attractive rates without adding incremental duration risk. As illustrated in the London Interbank Offered Rate (LIBOR)[2] chart below, the curve remains positively sloped and fairly stable from previous readings.

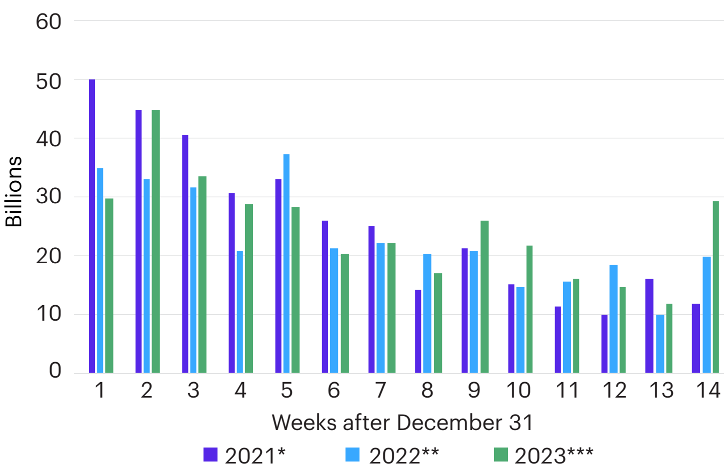
LIBOR YIELD CURVES AS OF 31-OCT-23




Sources: Bloomberg L.P. and Allspring Global Investments

The annual year-end funding rite is upon the money markets. As of October 25, 2023, the outstanding securities of Tier 1 and asset-backed commercial paper (CP) that matures after the end of the year increased to just over 40%—a 3% increase from the previous week and a level that is slightly higher than past years' statistics. While the pressure on issuers to extend over year-end for regulatory requirements remains the same, the rate environment has caused the maturity distribution to skew toward longer-dated maturities as it fits with investors' need to lock in the positive-sloping rate curve. This is illustrated in the Fed's weekly reports of CP outstanding, which shows $29 billion in CP outstanding maturing in greater than three months, up from $20 billion in 2022 and $12 billion in 2021.

WEEKLY PATTERN OF COMMERCIAL PAPER MATURING AFTER DECEMBER 31

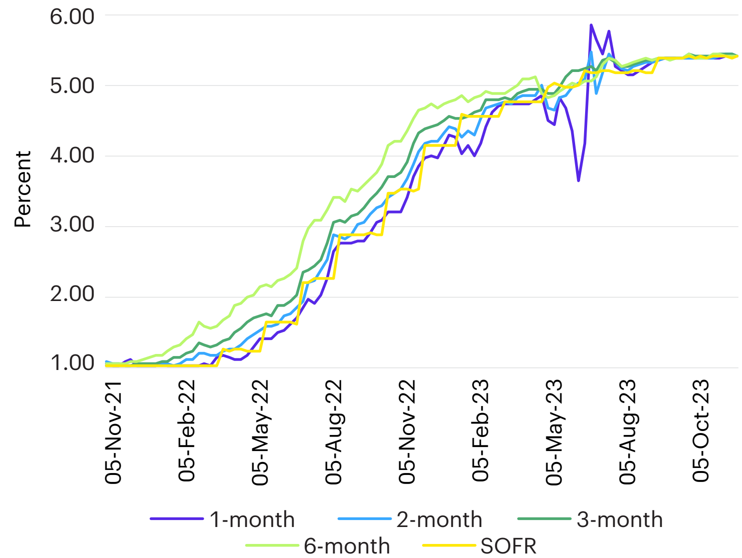



Source: Federal Reserve
*Outstanding as of 27-Oct-21. **Outstanding as of 26-Oct-22. ***Outstanding as of 25-Oct-23.

### U.S. government sector

The chart at the top of the next column shows that government money markets appear to have reached a state of equilibrium similar to what it achieved two years ago—similar, but 5.25% higher. In those days, the Secured Overnight Financing Rate (SOFR) usually set at 0.05% and most Treasury bill (T-bill) auctions out to a six-month maturity stopped at about that level, give or take a few basis points (bps; 100 bps equal 1.00%). Now, however, the relevant level is 5.30%. In between, rates were in motion and T-bill yields marched higher ahead of the Fed, with the exception of the debt ceiling period in the second quarter of 2023 when various T-bills vacillated between being unloved and desperately sought after. The flatness of the current curve suggests that, in addition to thinking the Fed is done hiking, the market has taken the Fed's "higher for longer" message to heart, expecting little change in rates over at least the next six months.

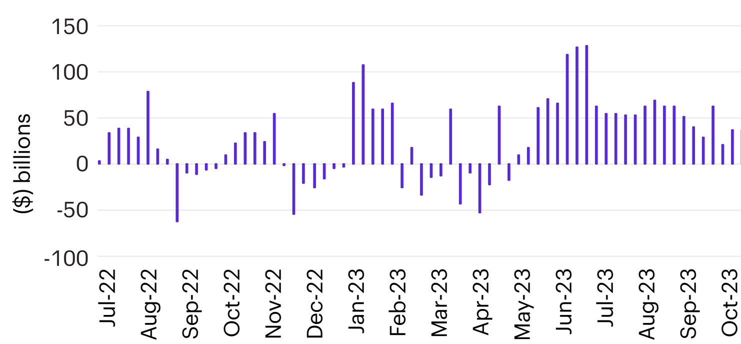
SOFR AND T-BILL AUCTION STOPS




Sources: Bloomberg L.P. and Allspring Global Investments

As the Fed approached the end of the hiking cycle this summer, and as the debt ceiling was resolved, T-bill yields were also supported by the robust issuance needed to replenish the Treasury's cash reserves and to finance the deficit. As the chart below shows, while T-bill supply continues to grow each week, the peak issuance period appears to be behind us. This is also supported by the fact that the Treasury's cash balance had reached $832 billion at the end of October, above its stated year-end target of $750 billion. As the hiking cycle winds up and the market begins to look for cuts next year, it may do so in a supply environment that is not as favorable as it was in the second half of 2023.

WEEKLY NET NEW T-BILL ISSUANCE




Source: U.S. Treasury

**Municipal sector**

Yields in the municipal money market space drifted higher during October as the Securities Industry and Financial Markets Association (SIFMA) Index[3] continued its volatile ways. After beginning the month at 3.98%, the SIFMA Index initially fell to 3.36% before rapidly rising to 4.19%, or 78% of effective federal funds, on October 18. The attractiveness of SIFMA on both a nominal and relative basis resulted in approximately $7 billion in inflows into municipal money market funds, according to Crane Data. Further out on the curve, benchmark yields rose roughly 15 to 20 bps as market participants reassessed the outlook for monetary policy. Yields on one-year high-grade paper closed out the month at 4.00%, up from 3.79% at the end of September.

During the month, we continued to adopt a conservative posture in terms of weighted average maturities (WAMs)[4] and liquidity. Accordingly, during the month, we continued to focus our purchases primarily in variable-rate demand notes (VRDNs)[5] and tender option bonds (TOB)[6] with daily and weekly puts in order to emphasize principal preservation while benefiting from elevated rates given the backup in SIFMA. However, we did opportunistically add exposure to fixed-rate CP and notes targeted in the three-month and six-month space as rates backed up toward the end of the month. Seasonal weakness in the municipal space provided the opportunity to invest at attractive ratios relative to taxable alternatives.

RATES FOR SAMPLE INVESTMENT INSTRUMENTS—CURRENT MONTH-END % (OCTOBER 2023)

| Sector | 1 day | 1 week | 1 month | 2 month | 3 month | 6 month | 12 month |
|---|---|---|---|---|---|---|---|
| U.S. Treasury repos | 5.31 | 5.31 | – | – | – | – | – |
| Fed reverse repo rate | 5.30 | – | – | – | – | – | – |
| U.S. Treasury bills | – | – | 5.30 | 5.36 | 5.37 | 5.47 | 5.41 |
| Agency discount notes | 5.25 | 5.27 | 5.30 | 5.31 | 5.32 | 5.30 | – |
| LIBOR | 5.42 | – | 5.43 | – | 5.64 | 5.87 | – |
| Asset-backed commercial paper | 5.33 | 5.35 | 5.39 | 5.53 | 5.63 | 5.80 | – |
| Dealer commercial paper | 5.30 | 5.30 | 5.30 | 5.36 | 5.45 | 5.58 | – |
| Municipals | 4.02 | 4.09 | 3.70 | 3.72 | 3.76 | 3.86 | 4.00 |

Sources: Bloomberg L.P. and Allspring Global Investments
**Past performance is no guarantee of future results.**

| Fund | 7-day current yield |
|---|---|
| Heritage MMF*–Select | 5.47 |
| Municipal Cash Management MMF*–Inst'l | 4.09 |
| Government MMF**–Select | 5.29 |
| Treasury Plus MMF**–Select | 5.29 |
| 100% Treasury MMF**–Inst'l | 5.25 |

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.*** *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, 2024, 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 Heritage Money Market Fund, Government Money Market Fund, and Treasury Plus Money Market Fund and for the Institutional Class of the Municipal Cash Management Money Market Fund and 100% Treasury Money Market Fund would have been 5.39%, 5.25%, 5.24%, 3.85%, and 5.22%, 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. The Personal Consumption Expenditures (PCE) Price Index measures the prices paid by U.S. consumers for domestic goods and services, excluding the prices of food and energy. You cannot invest directly in an index.

2. The London Interbank Offered Rate (LIBOR) is a benchmark interest rate at which major global banks lend to one another in the international interbank market for short-term loans. It serves as a globally accepted key benchmark rate that indicates borrowing costs between banks.

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. 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.

5. Variable-rate demand notes (VRDNs) are debt securities commonly held within the Allspring Money Market 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.

6. 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 floating NAV money market funds: You could lose money by investing in the fund. Because the share price of the fund will fluctuate, when you sell your shares they may be worth more or less than what you originally paid for them. The fund may impose a fee upon sale of your shares or may temporarily suspend your ability to sell shares if the fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.*

*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 or may temporarily suspend your ability to sell shares if the fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.*

***For government 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. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.*

*For the municipal money market funds, a portion of the fund's income may be subject to federal, state, and/or local income taxes or the alternative minimum tax. Any capital gains distributions may be taxable. For the government money market funds, the U.S. government guarantee applies to certain underlying securities and not to shares of the fund.*

The views expressed and any forward-looking statements are as of October 31, 2023, and are those of the fund managers and the Money Market team at Allspring Global Investments, LLC, subadvisor to the Allspring Money Market Funds, and Allspring Funds Management, LLC. Discussions of individual securities or the markets generally are not intended as individual recommendations. Future events or results may vary significantly from those expressed in any forward-looking statements. The views expressed are subject to change at any time in response to changing circumstances in the market. Allspring Global Investments disclaims any obligation to publicly update or revise any views expressed or forward-looking statements.

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