Allspring

Overview, Strategy, and Outlook

Allspring Money Market Funds

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Money market overview

As if it weren't hard enough to set interest rates based on undulating economic data, the Federal Reserve (Fed) now needs to factor in an election result of a unified government with potentially momentous economic policy changes planned. Fed officials have said the right thing—that they can't consider policies that haven't even been presented yet, let alone passed into law—but the financial markets have certainly begun to consider the new landscape, and the Fed can't help but notice the market changes. Just two months ago, the futures markets expected the bottom of the Fed's overnight range to be around 3% by next June, while they're now looking for more like 4% by then.

About that undulating economic data ... Undoubtedly some of the change in interest rate expectations is based on politics, but the markets have also become aware that, on balance, recent data continues to paint a picture of an economy that just keeps motoring along, with some level of immunity to high interest rates. The Fed went ahead with its early November rate cut, bringing its overnight range to 4.50–4.75%, based on a reasonable view that inflation is largely unthreatening, interest rates are quite higher than neutral, and the labor market has weakened and may be at risk. Labor market data has been somewhat murky due to strikes and storms, but lately Fed officials have started to mention inflation again, and the economy's strength has led some to also mention the uncertainty of where neutral might actually reside. Of course, it is, as always, dependent on the evolution of the economy as reflected in the data, but the recent political and economic developments have raised the question of whether the Fed has only just begun to ease or is close to wrapping up this easing cycle.

Sector views

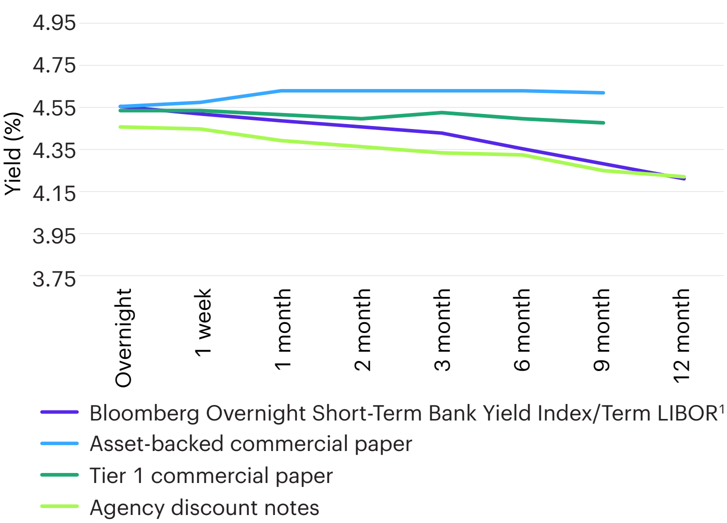
Prime sector

The Fed continued the path of easing by lowering target rates by 25 basis points (bps; 100 bps equal 1.00%) at the conclusion of the November 8 Federal Open Market Committee (FOMC) meeting, to a range of 4.50–4.75%. Recent stronger inflation numbers have tempered expectations regarding the speed with which further moves will be made. The release of the minutes from the November FOMC meeting confirmed those reduced expectations. Subsequent Fed speakers emphasized the need for a gradual pace of easing and that the FOMC is data dependent. For much of this month, it has been a coin toss of whether the Fed would ease again this year at its last meeting in December. The Fed communication has been consistent, referencing its dual mandate to promote maximum employment and stable prices. But the message can vacillate between the two. With inflation numbers falling dramatically off their highs of 2022 and seemingly stabilizing, the FOMC shifted attention to the employment mandate, hoping to avoid a recession. Weather and strikes have affected employment data this fall, and inflation, while stabilized, has not continued its march toward the Fed's 2.00% goal.

And so, while the Fed started easing with a bang in September, subsequent decreases might be more muted and spaced apart to allow for clearer economic data to support continued easing. Earlier this fall, federal funds futures had priced in about a 3.00% target rate to end 2025. That expectation currently sits around 3.75%, meaning only three more 25-bps moves by the end of next year. The gradual easing strategy promoted by the FOMC currently is being embraced by market pricing.

As expectations of the pace of easing slowed, issuers in the one-year area of the prime curve had to offer more yield to entice investors. In addition to more gradual FOMC easing, year-end funding pressures have led issuers to pay a premium to attract investors. Total commercial paper outstandings have increased by $12 billion in November as issuers are terming out funding needs with the composition of maturities favoring longer-dated paper.

MONEY MARKET YIELD CURVES



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

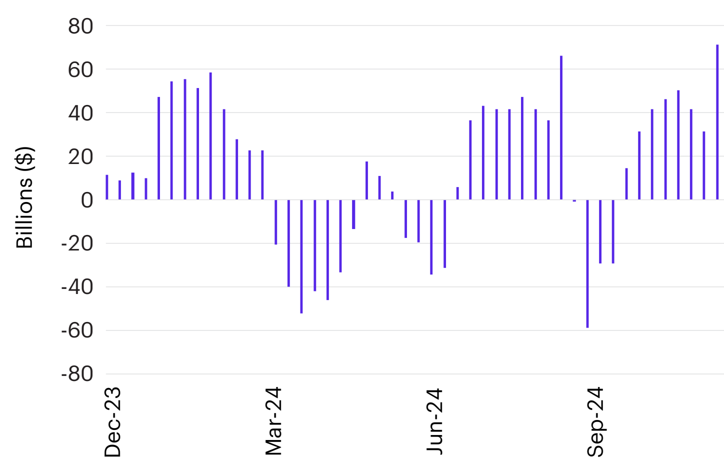
With the Fed in an easing cycle, even if the pace is debatable, locking in term yields close to the current overnight target makes sense, as each ease that follows will make the purchase more attractive. We continue our strategy of taking advantage of opportunities to extend fixed-rate term purchases 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 capture above-target yields in an environment that is skewed toward the FOMC delivering future rate decreases.

U.S. government sector

Short-term investors are enjoying a doubly beneficial environment that includes not only the tempering of rate cut expectations discussed above but also a seasonal bump in Treasury bill (T-bill) supply. It's often difficult to buy T-bills at yields close to their fair value—what you could earn at the baseline risk-free rate established by the Fed's reverse repo program (RRP) rate over the period in question—because of their relative scarcity. In times of plenty, such as we've experienced through November and outlined in the chart below, they're less scarce, and yields are accordingly more aligned with other low-risk alternatives like the RRP.

December should see the supply situation flip, as seasonal fluctuations work both ways. T-bills will become relatively more scarce again, partly because mid-month tax receipts will lessen the Treasury's borrowing needs and partly because the Treasury will try to engineer its own soft landing of sorts, bringing its cash balance down to $700 billion, its estimate of the statutorily required balance as the debt ceiling is reestablished on January 1. From then on, it's hard to predict where T-bill supply will go. We know the Treasury usually needs to raise money in the first quarter to pay tax refunds, and we know it usually pays down T-bill debt in the second quarter as tax receipts come in. We also know the debt ceiling is sometimes a very ugly fly in the ointment, although it's possible the unified government, among its pluses and minuses, may make a debt ceiling solution easier to find. Then the new regime will come in and presumably put its own stamp on issuance patterns across the Treasury complex.

WEEKLY NET NEW TREASURY BILL INSURANCE



Source: U.S. Treasury

Municipal sector

Yields in the municipal money market space drifted lower during the month of November as the FOMC followed through with an anticipated 25-bps rate cut following a decisive presidential election victory for Donald Trump to start off the month. The Securities Industry and Financial Markets Association (SIFMA) Index[3] continued to experience weekly volatility before closing out the month at 2.86%, down from 3.24% at the end of October. Yields on high-grade notes in the one-year area fell to 3.08%, down from 3.23% the previous month. Municipal money market fund assets closed out the month at $141 billion, up from $137.7 billion the previous month, according to Crane Data.

As the FOMC has indicated that risks to its dual mandate are becoming more closely balanced—meaning the pace and depth of future rate cuts will remain data dependent—we have prudently extended our weighted average maturity by taking advantage of the uptick in supply in the municipal space. However, we are keenly focused on the potential macroeconomic and other policy impacts a second Trump administration may have on the broader markets and central bank monetary policy.

On the horizon

As we look forward to an exciting year filled with unexpected twists and turns in the economy and markets in 2025, at the forefront of our minds as always will be meeting our shareholder desires for safety and liquidity. We've certainly experienced plenty of societal and market changes few could have seen coming in recent years, but through it all we've let those core objectives guide us. Before 2025, however, we're looking forward to the upcoming holidays! Please enjoy your time with friends and family, and we'll see you in the new year.

RATES FOR SAMPLE INVESTMENT INSTRUMENTS—CURRENT MONTH-END % (NOVEMBER 2024)

Sector	1 day	1 week	1 month	2 month	3 month	6 month	12 month
U.S. Treasury repos	4.58	4.58	–	–	–	–	–
Fed reverse repo rate	4.55	–	–	–	–	–	–
U.S. Treasury bills	–	–	4.54	4.48	4.43	4.38	4.29
Agency discount notes	4.49	4.48	4.42	4.39	4.36	4.35	4.24
LIBOR	4.59	–	4.52	–	4.46	4.38	–
Asset-backed commercial paper	4.59	4.61	4.67	4.67	4.67	4.67	–
Dealer commercial paper	4.57	4.57	4.55	4.53	4.56	4.53	–
Municipals	3.15	2.86	3.04	3.04	3.05	3.06	3.08

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	4.66
Government MMF**–Select	4.58
Treasury Plus MMF**–Select	4.56
100% Treasury MMF**–Inst	4.50

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, 2025 (or through May 31, 2026, for Government Money Markey Fund Select Class), 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 been 4.55%, 4.53%, 4.48%, and 4.55%, 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 Bloomberg Overnight Short-Term Bank Yield (BSBYON) Index is a short-term interest rate benchmark created in 2021 and published by Bloomberg Finance L.P. You cannot invest directly in an index. 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.

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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Carefully consider a fund's investment objectives, risks, charges, and expenses before investing. For a current prospectus and, if available, a summary prospectus, containing this and other information, visit allspringglobal.com. Read it carefully before investing.