Allspring

Overview, Strategy, and Outlook

Allspring Money Market Funds

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Sector views

U.S. government sector

As expected—and suggested here in last month's commentary—Treasury Secretary Scott Bessent sent a letter to Congress with an update regarding the debt ceiling (if interested, the letter can be found here: Debt Limit Letter to Congress — May 9, 2025. In it, he suggested that the government's cash and extraordinary measures will be exhausted in August. But, like school children after lunch, Congress goes out for recess during August and very little gets done in Washington. Bessent, therefore, respectfully urged them "to increase or suspend the debt limit by mid-July, before its scheduled break, to protect the full faith and credit of the United States." You may recall, Congress is attempting to include a resolution to the debt ceiling as part of the federal budget and tax bill. This month, the House narrowly passed its version of the bill, but not without some persuasion by the president. The 1,000-page-plus document will now head to the Senate for approval—not a forgone conclusion by any means. Meanwhile, investors with high aversion to risk are avoiding or limiting purchases of Treasury bills with August maturities as the possibility of a technical default, while extremely remote, becomes more topical. If you would like to take a deeper dive into our thoughts regarding the debt ceiling, our website includes FAQ on the topic.

In other news, Moody's downgraded the United States' credit rating one notch to Aa1 from Aaa. Moody's was the last of the three major credit rating agencies to have had a triple-A rating on the nation's debt. Moody's cited the increase in government debt and interest payments as the primary reason for the downgrade. It also acknowledged the inability of the United States to address the large—and growing—deficits and that recent policy decisions, particularly regarding budget reconciliation legislation, could worsen the nation's fiscal outlook. Despite the rating downgrade, Allspring will continue to maintain its Aaa-mf (triple-A money fund) Moody's rating on all of its government and Treasury money market funds. The Aaa-mf rating reflects Moody's opinion of the funds' ability to meet their objective of preserving capital and providing liquidity under varying market conditions. In addition to investing in high-quality assets, a fund must exhibit high levels of daily and weekly liquidity, strong risk management practices, appropriate portfolio diversification and structure, and the ability to maintain a stable net asset value. We do not anticipate any change in how we manage our money market funds because of the downgrade.

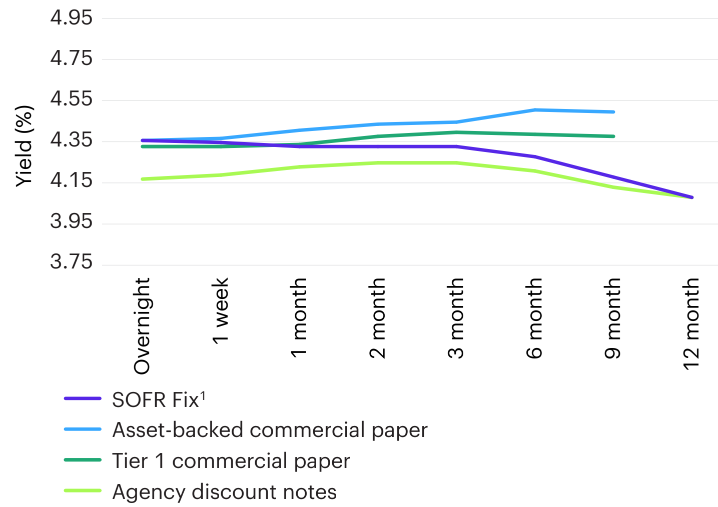
Prime sector

The Federal Open Market Committee (FOMC) kept its policy rate unchanged for a third consecutive meeting at a 4.25–4.50% range. Policy guidance remained cautious, keeping with recent Federal Reserve (Fed) communication. The corresponding statement reiterated that the assessment of economic conditions remained intact (i.e., "economic activity has continued to expand at a solid pace"); however, "Uncertainty about the economic outlook has increased further" and the Committee "judges that the risks of higher unemployment and higher inflation have risen." These statements underscored the difficult trade-offs facing the FOMC with respect to possible policy shifts in coming months, with the change in the statement indicating that concern about stagflation has probably more seriously entered discussion. Fed Chair Powell reiterated that the FOMC is not in a hurry to make any policy changes, with the Fed's current stance well positioned to respond to any material changes in the outlook.

The money market reaction to the cautious guidance from the FOMC has decreased expectations of easing to two 25-basis-point (bp; 100 bps equal 1.00%) moves by year-end, bringing the target range to 3.75–4.00%. This is down from four 25-bp eases priced in the last month. Focus going forward will continue to be squarely on how fiscal policy plays out, how these policy measures impact economic data, and in turn how the FOMC will respond in order to maintain its dual mandate. In addition to a more gradual FOMC, short-term funding pressures have continued to affect money market levels, causing issuers to pay a premium yield to attract investors and grow outstandings. This premium has helped the prime yield curve remain positively sloped, even in an expected FOMC easing cycle.

Total commercial paper outstandings (seasonally adjusted) have steadily increased since bottoming out at $1.09 trillion on January 1 when banks adjusted liquidity requirements to avoid typical year-end funding pressures and to meet liquidity coverage ratio targets established by regulators. Outstandings have rebounded back to $1.449 trillion as of the May 28 reporting period. As issuers continue to increase outstandings, investors demand a yield premium over short rates, keeping the credit yield curve positively sloped.

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 capture above-target yields in an environment that is skewed toward the FOMC delivering future rate decreases.

Municipal sector

The municipal money markets began to normalize this month, providing some comfort for market participants following April's tax- and tariff-induced volatility in the broader markets. Yields in the municipal money market space drifted lower throughout May as supply and demand became more balanced. The Securities Industry and Financial Markets Association (SIFMA) Index[3] averaged 2.51% (58% of fed effective) during the month, down from an average of 3.66% (85% of fed effective) in April. Further out on the curve, yields on high-grade notes in the one-year area fell to 3.08%, down from 3.21% at the end of April.

We continue to remain selective in our fixed-rate purchases as the FOMC has indicated that it will remain patient with respect to monetary policy in the face of ongoing uncertainty surrounding tariff and trade policies. During the month, we continued to emphasize principal stability and liquidity during this time of heightened uncertainty. Accordingly, we continue to focus our allocations to variable-rate demand notes[4] and tender option bonds[5] for their daily and weekly liquidity profiles.

On the horizon

The only certainty that investors should expect in the coming summer months is more uncertainty. The FOMC is now faced with a fresh set of unknowns. Not only is there uncertainty around the estimates of how new tariffs will affect inflation and hurt demand, but the FOMC now needs to consider court decisions and potential for a White House Plan B. Patience has been emphasized by multiple Fed officials, however.

As John Williams, president of the Federal Reserve Bank of New York, said, "It's not going to be that in June we are going to understand what is happening here, or July. It's going to be a process of collecting data, getting a better picture, and watching those things develop." The futures markets is currently pricing in two quarter-point cuts this year, but as uncertainty lingers, these anticipated cuts might end up being pushed back to later in the year or even 2026.

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

Sector	1 day	1 week	1 month	2 month	3 month	6 month	12 month
U.S. Treasury repos	4.35	4.35	–	–	–	–	–
Fed reverse repo rate	4.25	–	–	–	–	–	–
U.S. Treasury bills	–	–	4.22	4.25	4.27	4.25	4.10
Agency discount notes	4.16	4.18	4.22	4.24	4.24	4.20	4.07
SOFR	4.35	–	4.32	–	4.32	4.27	4.07
Asset-backed commercial paper	4.35	4.36	4.40	4.43	4.44	4.50	–
Dealer commercial paper	4.32	4.32	4.33	4.37	4.39	4.38	–
Municipals	2.97	1.97	2.99	3.00	3.01	3.03	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	4.36
Government MMF**–Select	4.23
Treasury Plus MMF**–Select	4.22
100% Treasury MMF**–Inst	4.13

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 4.20%, 4.19%, 4.11%, and 4.24%, 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 (VRDN) 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.

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

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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.

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