Allspring

Overview, Strategy, and Outlook

Allspring Money Market Funds

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Sector views

Prime sector

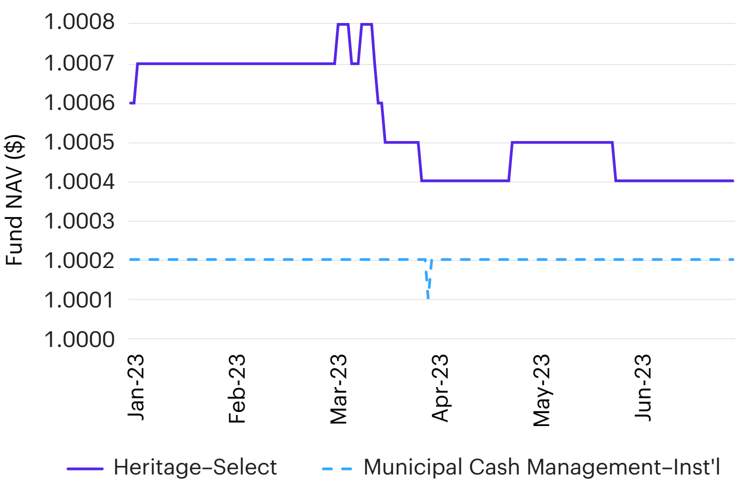
The Federal Open Market Committee (FOMC) left its target rate range of 5.00% to 5.25% unchanged at the conclusion of its much-anticipated June 14 meeting. This was its first rate pause since embarking on the current tightening cycle in March 2022. The corresponding statement continues to point toward the FOMC being data dependent on future rate increases and reiterated the committee's assessment of economic activity as "continu[ing] to expand at a modest pace," with job gains robust, unemployment rates low and inflation elevated. In addition, the FOMC opined that "[t]he U.S. banking system is sound and resilient. Tighter credit conditions for households and businesses are likely to weigh on economic activity, hiring, and inflation. The extent of these effects remains uncertain. The Committee remains highly attentive to inflation risks." The statement justified this pause to "assess additional information and its implications for monetary policy." Bottom line is the FOMC is data dependent, and the holding rates "higher for longer" narrative that Federal Reserve (Fed) Chair Powell first advanced at the end of November 2022 continues to make economic sense.

At the end of the meeting, the FOMC also released its quarterly Summary of Economic Projections (SEP, or dot plot). While the FOMC held its target rate steady at this meeting, the SEP for 2023 showed a median forecast with a further 50 basis points (bps; 100 bps equal 1.00%) of increases, bringing the expected median target rate at year-end to 5.625%; this implies a target federal funds range of 5.50% to 5.75%. In addition, the median rate forecast for 2024 was increased by 37.5 bps to 4.625%, or a range of 4.50% to 4.75%. The economic projections in general reflect somewhat stronger growth, slightly lower unemployment, and higher core inflation. The median core inflation forecast was revised higher in 2023 to 3.9%, 2.6% in 2024, and 2.2% in 2025—all still above the target of 2.0%.

The rates market focused on the SEP and quickly priced in additional rate increases in 2023. Economic data continues to be largely supportive of further rate increases and Fed speak has been balanced; however, Chair Powell continues to have the strongest voice and has dictated market movements. While risk appetite diminished last month during the debt ceiling debate and caused credit spreads to marginally widen and yields to increase, these yields have remained elevated as rate increases are being priced into the market. The six-month London Interbank Offered Rate (LIBOR)[1] moved higher by almost 10 bps this month to 5.74% as market participants focused on the FOMC. Whether or not the FOMC raises rates again this year, it was important for the Fed to convince market participants they were not going to reverse course and start to ease rates anytime soon as the forward rates had predicted prior to the release of the latest dot plot.

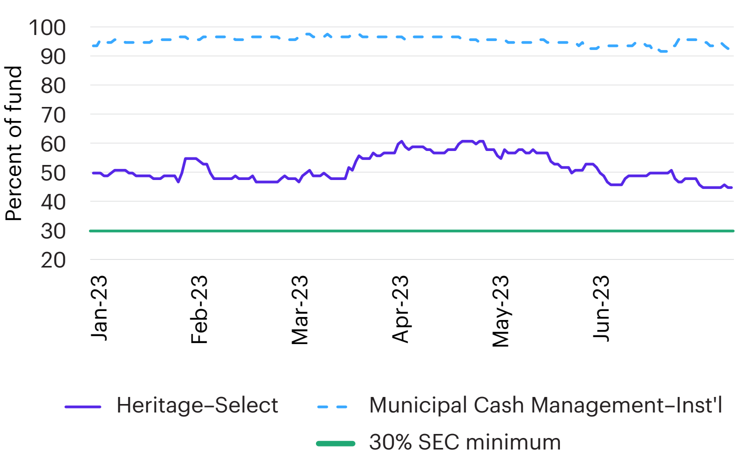
Our conservative approach to portfolio management—favoring excess liquidity and shorter weighted average maturities (WAMs)[2] than the stated regulatory requirements—historically has enabled our portfolios to quickly capture the FOMC rate increase in the fund yield. In addition, we extend fixed-rate term purchases when the opportunity offers a favorable value proposition. Our short maturities should enable us to continue to reap the benefits of further tightening. In addition to capturing higher yields, the enhanced liquidity buffer in our portfolios enables us to meet the liquidity needs of our shareholders and helps dampen net asset value (NAV) volatility in the face of higher yields and wider spreads.

ALLSPRING FLOATING NET ASSET VALUE (FNAV) MONEY MARKET FUND NAVS



Source: Allspring Funds. **Past performance is no guarantee of future results.**

FNAV MONEY MARKET FUNDS WEEKLY LIQUID ASSETS



Source: Allspring Funds. **Past performance is no guarantee of future results.**

U.S. government sector

The suspension of the debt ceiling in early June allowed the Treasury to begin to rebuild its cash balance; the Treasury General Account (TGA) had fallen to $23 billion on June 1, a meager sum compared to the $500 billion the Treasury prefers to prudently have on hand. The Treasury promptly got to it and over the course of the month issued $449 billion in additional Treasury bills (T-bills), lifting the TGA to $402 billion on June 30.

How the market would digest multiple hundreds of billions of T-bills in short order was an open question, answerable only by the market. In some past supply surges, it was a happy coincidence (happy for the funding dynamics, not for the world or financial markets) that demand for high-quality assets was exploding just as the Treasury's funding needs were and in fact for roughly the same reasons. Such episodes have included the Global Financial Crisis and the onset of the pandemic. In those times, the market took down the additional supply without batting an eye. Without a crisis, however, when there's not compelling additional demand, supply needs to cheapen to higher yields in order to draw buyers in.

This case is a kind of hybrid mixture of the two scenarios, because while there is not a crisis driving investors to flee to the perceived safe embrace of T-bills, there is still leftover demand for perceived safe assets from the pandemic fiscal stimulus that left the Fed with an oversized balance sheet. If only there were a way to measure the remaining excess demand! As luck would have it, we know exactly how much excess cash awaits an apparent safe opportunity because it is parked every day in the Fed's reverse repurchase program (RRP). On May 31, just before the debt ceiling resolution, the RRP balance was $2.255 trillion, and by June 29, it had fallen $320 billion to $1.935 trillion. (It rose again by $100 billion on June 30, but that rise was likely largely due to quarter-end effects and will likely prove to be an outlier.) So while the Treasury had a lot of wood to chop in early June, the RRP balance was a burly lumberjack ready to pitch in.

To date, at least, the Treasury has not had a hint of a problem getting its cash balance back to a comfortable level. Yields did creep up modestly to entice buyers, not coincidentally to right around the yield paid by the RRP when adjusted for the expected Fed rate path. The Treasury is expected to continue to increase supply over the balance of the year, but the lumberjack is still quite burly and there's no reason to expect the Treasury's efforts to go anything other than smoothly.

Municipal sector

The Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index[3] continued to exhibit volatility, beginning June at 2.84% and closing out the month at 4.01%. Supply and demand continued to be influenced by the relative value of tax-exempt to taxable securities, which fluctuated throughout the month. Further out on the curve, one-year high-grade notes backed up modestly to the 3.44% area, up from 3.34% at the end of May. For the month, municipal money market funds attracted roughly $3.6 billion in inflows, with the Crane Tax-Exempt Money Fund Index[4] topping out at $121.8 billion.

During the month, we continued to focus our purchases primarily in variable-rate demand notes (VRDNs)[5] and tender option bonds (TOBs)[6] with daily and weekly put options in order to emphasize principal preservation and fund liquidity. We are maintaining a conservative posture with respect to WAMs given the inverted yield curve in the municipal money market space. Accordingly, our funds benefited from the elevated-level rates on overnight and weekly floating-rate securities during the month.

On the horizon

Having just passed the summer solstice, we have officially entered the heart of the season. Berries are being picked, corn and soybeans are in the fields, and picnics and fireworks celebrating our country's independence on the Fourth of July are here. And just around the corner is the Fed's next meeting, scheduled for July 26. While the Fed paused in June to assess its progress on the inflation front, economic data to date indicates—and Chair Powell seems to agree—that inflation is being stubbornly persistent and the Fed still has a ways to go before declaring victory. Markets at this point have priced in another round of hikes at the July meeting, but they are still divided on whether they expect another hike before year-end—as the Fed indicated with its dot plot.

We will be on hiatus until after Labor Day, when we will return to summarize the events of July and August. In the meantime, we hope you have a wonderful summer!

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

Sector	1 day	1 week	1 month	2 month	3 month	6 month	12 month
U.S. Treasury repos	5.06	5.06	–	–	–	–	–
Fed reverse repo rate	5.05	–	– –	– –	– –	– –	– –
U.S. Treasury bills	–	– –	5.00	5.11	5.15	5.22	5.11
Agency discount notes	4.85	4.90	5.07	5.15	5.22	5.35	5.12
LIBOR	5.06	– –	5.26	– –	5.53	5.81	6.04
Asset-backed commercial paper	5.08	5.11	5.18	5.35	5.47	5.70	–
Dealer commercial paper	4.99	5.02	5.17	5.32	5.41	5.59	– –
Municipals	3.75	4.01	3.14	3.16	3.19	3.33	3.44

Sources: Bloomberg L.P. and Allspring Global Investments

Past performance is no guarantee of future results.

Fund	7-day current yield
Heritage MMF*–Select	5.37
Municipal Cash Management MMF*–Inst'l	4.15
Government MMF**–Select	5.14
Treasury Plus MMF**–Select	5.16
100% Treasury MMF**–Inst'l	5.12

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 5.16%, 4.98%, 4.99%, 3.95%, and 4.97%, 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.

For more information, please contact:

- Institutional Sales Desk: **1-888-253-6584**
- Website: **allspringglobal.com**

If you're an institutional investor, when you visit the website, click on your location and select your role on the welcome screen as "Institutional Cash Investor."

1. 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.

4. The Crane Tax-Exempt Money Fund Index is a simple average of municipal or tax-exempt money market funds tracked by Crane Data (currently 185 funds). This index is published in the Crane Money Fund Intelligence newsletter, MFI XLS and MFI Daily products. Crane Data has been publishing information and indexes on money market funds since 2006. Visit www.cranedata.com for more information. You cannot invest directly in an index.

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 June 30, 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.

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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