

June 2010

## Real Asset Diversifiers

The solid fundamentals and improved valuations for infrastructure securities can make them a beneficial addition for portfolios. We believe the well-capitalized nature of many public real estate investment trusts (REITs) makes them attractive investments.

### REAL ESTATE SECURITIES FUND

#### **Current conditions**

During the past two years, the REIT market has been driven by capital availability and balance sheet strength. We expect the returns of the sector in 2010 to be driven more by the fundamental prospects for individual stocks as balance sheet concerns have subsided.

#### **Portfolio positioning**

We attempt to minimize sector-specific risk among our REIT holdings by maintaining a well-diversified portfolio. We continue to invest on a relative-value basis within each sector, focusing on companies we believe have the best prospects for consistent, visible cash-flow growth. The opportunistic portion of the portfolio is currently focused on two themes: first, companies that have been using their low cost of capital to create external growth; and second, companies that we expect to experience meaningful internal growth because their fundamentals eroded substantially during the recession but currently show signs of improvement.

### GLOBAL INFRASTRUCTURE FUND

#### **Current conditions**

While less cyclical overall than other investments, fundamentals of infrastructure companies have improved with the overall economic recovery. In addition, valuations look very attractive. Recent concerns about sovereign liquidity and solvency in several European countries and government-tightening policies in China have provided good entry points into many high-quality infrastructure companies.

#### **Portfolio positioning**

Responding to the sovereign debt issues, we have decreased our European exposure and added to lower-risk assets in the United States and Asia. In particular, the utility space in the United States has been attractive. Positive secular themes continue to support the global infrastructure thesis, and we are currently finding more attractive valuations on a stock-by-stock basis. Our core strategy of focusing on companies that own or operate long-life assets and have visible cash flows, strong balance sheets, manageable amounts of leverage, and inelastic demand characteristics remains intact.



**John Wenker**



**Jay Rosenberg**

John and Jay are co-lead managers of the top-selling First American Real Estate Securities Fund<sup>1</sup> and the pioneering First American Global Infrastructure Fund, the second publicly traded global infrastructure fund.

<sup>1</sup>Our real estate fund is the top-selling fund in its Lipper category and has a 10-plus year track record (Source: Strategic Insight, year-to-date new cash flows as of 3/31/2010).



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Fund Name	Class A	Class C	Class R	Class Y
First American Real Estate Securities Fund	FREAX	FRLCX	FRSSX	FARCX
First American Global Infrastructure Fund	FGIAX	FGNCX	FGNRX	FGIYX
First American Small Cap Select Fund	EMGRX	FFECX	ASEIX	ARSTX
First American Mid Cap Growth Opportunities Fund	FRSLX	FMECX	FMEYX	FISGX
First American Mid Cap Value Fund	FASEX	FACSX	FMVSX	FSEIX
First American Total Return Bond Fund	FCDDX	FCBCX	FABSX	FCBYX
First American Intermediate Tax Free Bond Fund	FAMBX	FMBCX	-	FMBIX
First American Strategy Aggressive Growth Allocation Fund	FAAGX	FSACX	FSASX	FSAYX
First American Strategy Growth Allocation Fund	FAGSX	FSNCX	FSNSX	FSGYX
First American International Select Fund	ISACX	ICCSX	ISRCX	ISYCX

**Federal Funds Rate:** Set by the Federal Reserve Board, the Federal Funds Rate is the interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. The Fed Funds Rate is considered a sensitive indicator of general interest rate trends. **S&P 500 Index:** The unmanaged S&P 500 Index tracks the performance of 500 U.S. large company stocks. **Operating Earnings:** Profits after subtracting expenses such as marketing, cost of goods sold, administration, and general operating costs from revenue. **Price/Earnings (P/E) Ratio:** Also known as the multiple, is calculated by dividing the current price of the stock by the company's trailing 12 months' earnings per share. **Spread:** The difference in yield between different bond types, usually of different credit quality. **Yield Curve:** A curve showing the relationship between yields and maturity dates for a set of similar bonds.

*Barron's "Best Mutual-Fund Families" – 2/1/2010:* Barron's and Lipper survey fund groups annually to rank overall performance. Overall rankings are based on asset-weighted returns in five categories with each weighted differently: 41.42% for U.S. equity, 14.49% world equity, 16.27% mixed equity, 23.16% taxable bonds, and 4.66% tax-exempt bonds. To qualify for the survey, a fund group must have at least three funds in Lipper's general U.S.-stock category and one in world equity, which combines global and international funds; one mixed-equity fund, which holds stocks and bonds; two taxable-bond funds, and one tax-exempt offering. Fund returns include reinvested dividends and capital gains and do not reflect sales charges and 12b-1 fees. Lipper measures each fund's return against all funds in its Lipper category. That leads to a percentile ranking (100 being highest; 1 lowest) which is then weighted by asset size, relative to the group's other assets in its general classification. If a fund family's largest funds do well, its overall ranking increases; poor performance decreases the ranking. Finally, the score is multiplied by the weighting of its general classification, as determined by the entire Lipper universe of funds.

*Past performance does not guarantee future results.*

*Investors should carefully consider a fund's investment objectives, risks, charges, and expenses before investing.*

*The prospectus and, if available, the summary prospectus contain this and other information; call 800.677.FUND or visit FirstAmericanFunds.com for a copy. Please read carefully before investing.*

**Mutual fund investing involves risk; principal loss is possible.**

**First American asset allocation funds invest in various underlying First American funds. Generally, your cost to invest in asset allocation funds will be higher than the cost to invest in shares of the underlying funds. Asset allocation funds are exposed to the risks of the underlying funds in proportion to each fund's allocation. Investment risks include, but are not limited to, volatility and additional risks related to small- and mid-cap stocks and real estate securities; political, economic, and currency risk related to foreign securities; and interest-rate risk related to investing in debt securities.**

**Investing in specific sectors such as infrastructure-related securities may involve greater risk and volatility than more diversified investments.**

**Risks include greater exposure to adverse economic, regulatory, political, and other changes affecting such securities.**

**Foreign investing, especially in emerging markets, entails additional risks, including currency fluctuations, political and economic instability, accounting changes, and foreign taxation. Securities may be less liquid and more volatile.**

**Investing in specific sectors such as real estate may involve greater risk and volatility than more diversified investments. Risks include declines in real estate values along with changing economic conditions, property taxes, tax laws, and interest rates.**

**Investing in small-cap and mid-cap companies may involve additional risks such as limited liquidity and greater volatility.**

**Investments in commodities may involve greater volatility and risks such as changes in demand, disruption in supply, and hedging and trading strategies of other market participants.**

**Investments in debt securities typically decrease in value when interest rates rise. This risk is usually greater for longer-term debt securities. Investments in lower-rated and nonrated securities present a greater risk of loss to principal and interest than higher-rated securities. Investments in asset-backed and mortgage-backed securities include additional risks that investors should be aware of such as credit risk, prepayment risk, possible illiquidity and default, as well as increased susceptibility to adverse economic developments.**

*Income from tax-exempt funds may be subject to state and local taxes, and a portion of income may be subject to federal income tax, including the alternative minimum tax (AMT). Capital gains distributions, if any, may be subject to tax.*

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