

Quarterly portfolio manager commentary

First American Money Market Funds

What market conditions had a direct impact on the bond market this quarter?

Financial markets continued to strengthen in the third quarter on robust monetary and fiscal stimulus programs. Third quarter U.S. Gross Domestic Product (GDP) is expected to rebound smartly from the second quarter's historic 31.4% decline as the economy continued to make progress re-opening from the spring shutdowns. The Federal Reserve (Fed) adopted a new policy framework which suggests inflation above 2% and unemployment rates below 4% are not reasons enough to tighten monetary policy.

Economic Activity – Consensus forecasts suggest third quarter U.S. GDP expanded at a 30.0% quarter-over-quarter annualized pace, with some estimates reaching as high as 35%. Supported by enhanced government benefits and stronger labor markets, consumer spending was the primary catalyst for the impressive snap back in growth. Employment conditions improved in the quarter with Non-farm Payrolls adding 3.911 million jobs and the U3 Unemployment Rate falling from 11.1% to 7.9%. The economy has recovered 11.417 million of the 22.160 million jobs shed in March and April. Unfortunately, late September Initial Jobless Claims data suggested the pace of labor improvement has slowed and several large companies such as Disney, Shell and United Airlines have recently announced massive layoffs. Both ISM Manufacturing PMI and ISM Services PMI readings reflected solid expansion in the quarter, averaging 55.2 and 57.6 respectively. Inflation measures remain well below the Fed's 2% average target rate despite the massive monetary stimulus provided to date. Risks realizing current 4% fourth quarter growth estimates are further COVID-19 outbreaks as flu season approaches, reductions in additional fiscal stimulus and disruptions caused by contested Presidential and Congressional races.

Monetary Policy – In August, the Fed adopted a new monetary policy framework targeting an average inflation rate of 2%. While the change had been anticipated, the Fed disappointed market observers by providing few details about the actual implementation of the new framework, such as defining the look-back period to calculate the average inflation rate. The lack of clarity provided at the September 16th FOMC meeting disappointed investors looking

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for more direct guidance on the path of monetary policy. Despite the lack of details, the Fed's policy reaction function appears to be asymmetric, with economic and financial market declines met with vigorous policy responses while asset price appreciation strong economic growth are allowed to persist.

Broad Fed Policy Initiatives

Policy Rates – The Fed indicated the current federal funds target range of 0.0% – 0.25% will remain in place at least through 2023, extending the horizon from 2022.

Asset Purchases – The Fed remains committed to monthly net purchases of \$80 billion in U.S. Treasury Securities and \$40 billion in agency and agency mortgage-backed securities. During the COVID-19 crisis period, "Securities Held Outright" on the Fed's balance sheet have grown \$3.956.6 trillion, from \$2.474.0 trillion on February 26th to \$6,430.6 trillion on September 30th.

Targeted Credit Facilities – As of September 30th, the Fed has committed \$8.589 billion to the Commercial Paper Funding Facility, \$45.042 billion to Corporate Credit Facilities, \$16.547 billion to the Main Street Lending Program and \$16.547 to the Municipal Liquidity facility.

The Fed's large-scale asset purchases have likely had a greater impact easing financial conditions than the targeted credit facilities, which are relatively small vs. the overall size of the debt markets. The presence of these facilities and the Fed's willingness to use them has, however, boosted investor confidence to assume greater risks.

Fiscal Policy – With much of the CARES Act originally passed in March set to expire, additional fiscal stimulus prior to the November 3rd elections seems unlikely. Election-year politics has prevented a compromise plan between the smaller more COVID-focused plan favored by the Trump Administration and Senate Republicans and the more comprehensive bill pushed by House Democrats which includes greater aid for states and the reinstatement of the State and Local Income Tax Deduction. While an additional fiscal stimulus plan seems inevitable, delays in further relief will have a negative impact on consumer spending and increase the pace of small business closures.

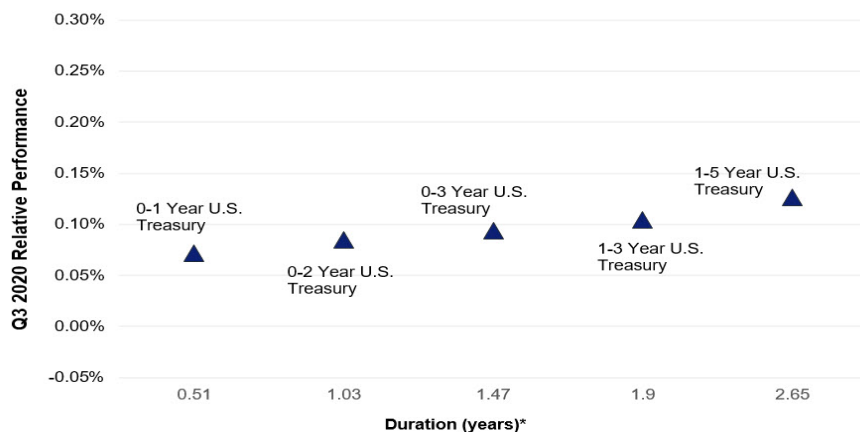
Credit Markets – U.S. Treasury yields remained relatively range-bound in the quarter with few catalysts to spark a significant sell-off or rally in rates. The Fed's commitment to keeping policy rates at current levels through 2023 should keep front-end yields well-anchored. Further, the absence of a fiscal stimulus package in the fourth quarter will significantly reduce the U.S. Treasury's funding needs and in turn, U.S. T-Bill issuance and yields. Corporate credit spreads have essentially recovered to Pre-COVID levels on the Fed's massive liquidity injections and healthy investor demand for yield. Primary and secondary market conditions remain robust with ample liquidity across essentially all sectors. Negative public ratings actions have diminished considerably since the second quarter's downgrade wave.

Yield Curve Shift

U.S. Treasury Curve	Yield Curve 06/30/2020	Yield Curve 09/30/2020	Change (bps)*
3 Month	0.129%	0.092%	-3.8
1 Year	0.150%	0.117%	-3.3
2 Year	0.149%	0.127%	-2.2
3 Year	0.173%	0.157%	-1.6
5 Year	0.288%	0.277%	-1.1
10 Year	0.656%	0.684%	2.8

The three-month to ten-year portion of the yield curve steepened 6.6 bps to 59.2 bps. Given the enormous amount of Fed intervention into the U.S. Treasury curve, the information value of a flatter / steeper yield curve has diminished.

Duration Relative Performance



*Duration estimate is as of 9/30/2020

With only mild yield curve movements, U.S. Treasury index returns were dominated by coupon interest with minimal room impact from price appreciation return from lower yields.

Credit Spread Changes

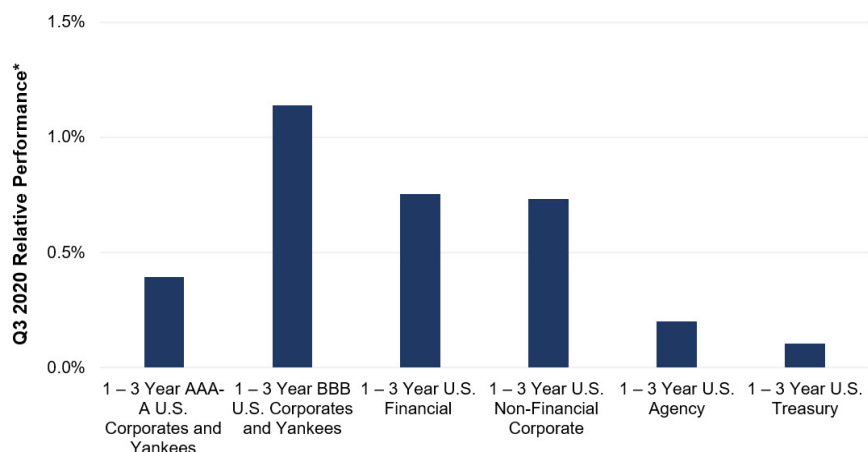
ICE BofA Index	OAS* (bps) 6/30/2020	OAS* (bps) 9/30/2020	Change (bps)
1-3 Year U.S. Agency Index	20	11	-9
1-3 Year AAA U.S. Corporate and Yankees	16	15	-1
1-3 Year AA U.S. Corporate and Yankees	39	34	-5
1-3 Year A U.S. Corporate and Yankees	63	49	-14
1-3 Year BBB U.S. Corporate and Yankees	142	108	-34
0-3 Year AAA U.S. Fixed-Rate ABS	59	40	-19

*OAS = Option-Adjusted Spread

Option-Adjusted Spread (OAS) measures the spread of a fixed-income instrument against the risk-free rate of return. U.S. Treasury securities generally represent the risk-free rate.

Corporate credit spreads recovered a significant portion of the widening seen in the second quarter. The primary driver for credit’s strong second-half performance was the Fed’s decisive actions to support and liquify the credit markets, including quantitative easing and the direct purchase of corporate debt and investment-grade ETFs. OAS spreads remain wider than December 31, 2019 levels, which is reasonable given the uncertain outlook for the economy and credit markets.

Credit Sector Relative Performance of ICE BofA Indexes



**AAA-A Corporate index outperformed the Treasury index by 29.0 bps in the quarter.*

AAA-A Corporate index underperformed the BBB Corporate index by 74.4 bps in the quarter.

U.S. Financials outperformed U.S. Non-Financials by 2.2 bps in the quarter.

Corporate credit and spread product generated significant excess returns over U.S. Treasuries in the quarter, but still paled in comparison to second quarter’s stellar returns as the degree of spread tightening slowed. Not surprisingly given the recovery in risk assets and strong equity market returns, lower-rated credit outperformed their higher-rated counterparts.

What were the major factors influencing money market funds this quarter?

The third quarter of 2020 was a continuation of the second as the invasion of COVID-19 forced market participants to speculate on the timing of potential recovery scenarios as uncertainty continued in the economic and political environment. The Fed reaffirmed their easy monetary stance indicating that rates will be at, or near zero for the foreseeable future. The money market industry experienced some outflows as yields declined, but overall AUM still remained elevated. U.S. Treasury bill and Repo levels remained above March levels - of near-zero, still supported by additional bill supply. The increased Treasury and Repo levels provided money market funds a modest yield boost as they manage through another zero-rate era.

First American Prime Obligations Funds

The Fed's liquidity programs (MMLF, CPFF, PDCF, etc.) restored confidence in the first quarter, stabilizing prime fund metrics. Since then, credit spreads have continued to grind tighter reflecting the low rate environment and support of the Fed. Still facing an uncertain economic and credit backdrop, we positioned the funds with strong portfolio liquidity metrics influenced by fund shareholder makeup. We continue to employ a heightened credit outlook as we maintain positions which present minimal credit risk to the funds and their investors. Under the current market conditions, our main investment goal was to maintain liquidity and judiciously enhance portfolio yield based on our economic, investor cash flow, credit and interest rate outlook. We believe relative fund yields, while compressing, will remain elevated making the sector an appropriate short-term cash option for investors.

First American Government and Treasury Funds

Treasury and government funds continued to see inflows as a flight to quality and liquidity remained prevalent. The increased Treasury supply, stemming from government stimulus, resulted in higher repo and T-Bill yields to the benefit of our fund investors. Management continued to focus on securing long-term yield when advantageous, anticipating a low yield environment for the foreseeable future. Throughout the quarter, we found opportunities in both fixed- and floating-rate investments that we believed made economic sense and felt would benefit shareholders over the life of the security.

First American Retail Tax Free Obligations Fund

Tax-exempt money market funds experienced steady outflows throughout the third quarter as investors became disenchanted with the paltry investment yields they offered. It is noteworthy, that at \$114B the total assets invested in all tax-exempt money funds reached levels not seen in 25 years. Still, overall market demand was sufficient to keep Variable Rate Demand Notes near 10 bps. Our strategies and objectives were to remain out in front of our competitors in terms of both a longer weighted average maturity and higher allocations to fixed-rate securities. Although the yield curve from 0-1 year was noticeably flatter relative to the second quarter, we considered the additional 10-15 bps as compelling enough in the current environment. Several of our most recent purchases mature in August / September 2021 as part of an effort to "lock in" as much yield as possible.

What near-term considerations will affect fund management?

In the coming quarters, we anticipate yields will stay depressed as the U.S. progresses through the COVID-19 pandemic, upcoming recession and the Fed's easy monetary policies. We anticipate the yield on non-government debt has bottomed as a result of Fed liquidity programs, tightening LIBOR levels and improved liquidity in this space. Prime money fund yields will decline as seasoned pre- / early pandemic purchases mature, but we believe both the institutional and retail prime obligations funds will remain reasonable short-term investment options for investors seeking higher yields on cash positions while assuming minimal credit risk.

Yields in the Government Sponsored Enterprise and Treasury space will remain influenced by Fed policy and Treasury bill / note supply. We believe the Fed will continue to provide the tools necessary to normalize the repo market, provide market liquidity and control front-end rates. Assuming no additional Fed policy adjustments, we anticipate T-Bill issuance to remain robust, providing the sector with an outlet for the large balances. Supply changes in Treasury issuance may create some yield volatility on the short end as the forces of supply and demand seek optimization. We will continue to seek opportunities, in all asset classes and indexes, based on domestic and global economic market data as well as changes in our Fed rate expectations.

For more information about the portfolio holdings, please visit <https://www.firstamericanfunds.com/home/portfolio-holdings.aspx>.

Sources

Bloomberg

Federal Reserve

U.S. Department of Treasury

Definitions

Basis Point (bps) is one one-hundredths of a percentage point. This term is often used in describing changes in interest rates. For example, if a bond yield increases from 7.50% to 7.88%, it has moved up 38 basis points.

Duration is a measure of a security's price sensitivity to changes in interest rates. Securities with longer durations are more sensitive to changes in interest rates than securities of shorter durations.

Federal Reserve (Fed) is the United States central banking system. It is comprised of 12 regional central banks, known as the Federal Reserve Banks, which are owned by private banks. The Fed is governed by a seven-member Board of Governors, who regulates interest rates, availability of bank credit and sets other monetary policies such as legal reserve requirements for banks.

Government-Sponsored Enterprise (GSE) is a quasi-governmental entity established to enhance the flow of credit to specific sectors of the American economy. Created by acts of Congress, these agencies, through privately held, provide public financial services. GSEs help to facilitate borrowing for all sorts of individuals, from students to farmers to homeowners.

ICE BofA 0-1 Year U.S. Treasury Index tracks the performance of U.S. dollar denominated sovereign debt publicly issued by the U.S. government in its domestic market with maturities less than one year.

ICE BofA 0-2 Year U.S. Treasury Index tracks the performance of U.S. dollar denominated sovereign debt publicly issued by the U.S. government in its domestic market with maturities less than two years.

ICE BofA 0-3 Year AAA U.S. Fixed Rate Asset Backed Securities Index is a subset of ICE BofAML U.S. Fixed Rate Asset Backed Securities Index including all securities with a remaining term to final maturity less than three years and rated AAA.

ICE BofA 0-3 Year U.S. Treasury Index tracks the performance of U.S. dollar denominated sovereign debt publicly issued by the U.S. government in its domestic market with maturities less than three years.

ICE BofA 1-3 Year AAA-A U.S. Corporates & All Yankees Index is a subset of the BofA Merrill Lynch U.S. Corporate & Yankees Index including all securities with a remaining term to final maturity less than three years and rated AAA through A3, inclusive.

ICE BofA 1-3 Year AA U.S. Corporates & All Yankees Index is a subset of the BofA Merrill Lynch U.S. Corporate & Yankees Index including all securities with a remaining term to final maturity less than three years and rated AA1 through AA3, inclusive.

ICE BofA 1-3 Year BBB U.S. Corporates & All Yankees Index is a subset of the BofA Merrill Lynch US Corporate & Yankees Index including all securities with a remaining term to final maturity less than three years and rated BBB1 through BBB3, inclusive.

ICE BofA 1-3 Year Single-A U.S. Corporates & All Yankees Index is a subset of the BofA Merrill Lynch U.S. Corporate & Yankees Index including all securities with a remaining term to final maturity less than three years and rated A1 through A3, inclusive.

ICE BofA 1-3 Year U.S. Agency Index is a subset of ICE BofAML U.S. Agency Index including all securities with a remaining term to final maturity less than three years.

ICE BofA 1-3 Year U.S. Financial Index is a subset of ICE BofAML U.S. Corporate Index including all securities of Financial issuers with a remaining term to financial maturity less than three years.

ICE BofA 1-3 Year U.S. Non-Financial Corporate Index is a subset of ICE BofAML U.S. Non-Financial Index including all securities with a remaining term to final maturity less than three years.

ICE BofA 1-3 Year U.S. Treasury Index is a subset of the BofA Merrill Lynch U.S. Treasury Index including all securities with a remaining term to final maturity less than three years.

ICE BofA 1-5 Year U.S. Treasury Index is a subset of the BofA Merrill Lynch U.S. Treasury Index including all securities with a remaining term to final maturity less than five years.

Inflation is defined as a sustained increase in the general level of prices for goods and services. It is measured as an annual percentage increase. As inflation rises, every dollar you own buys a smaller percentage of a good or service.

ISM Manufacturing is a monthly index released by the Institute of Supply Management, an industry association for supply management professionals, which tracks manufacturing activity, including employment, production, inventories, new orders and supplier deliveries. This index is a key measure of the national economy.

ISM Non-Manufacturing is a monthly index of more than 400 non-manufacturing firms' purchasing and supply executives within 60 sectors across the nation, released by the Institute of Supply Management (ISM). The ISM Non-Manufacturing Index includes seasonally adjusted figures for several of its components, unlike the ISM Manufacturing Index.

LIBOR (London Interbank Offered Rate) is the interest rate at which banks can borrow funds from other banks in the London interbank market. It is the world's most widely used benchmark for short-term interest rates.

Maturity is the date on which the principal amount of a note, draft, acceptance, bond, or other debt instrument becomes due and payable. Also, termination or due date on which an installment loan must be paid in full.

Monetary Policy is the actions of a central bank, currency board or other regulatory committee that determine the size and rate of growth of the money supply, which in turn affects interest rates.

Treasury is negotiable debt obligation of the U.S. government, secured by its Full Faith and Credit and issued at various schedules and maturities. The income from Treasury securities is exempt from state and local, but not federal, taxes.

U3 Unemployment Rate is the commonly-referred to unemployment rate. It includes people out of work who have been actively seeking employment over the last four weeks.

Yield Curve is a line tracing relative yields on a type of bond over a spectrum of maturities ranging from three months to 30 years.

The information and views expressed are provided by the funds' portfolio manager(s) and are current only through the date on this report. They are not intended to provide specific advice or to be construed as an offering of securities or a recommendation to invest. One cannot invest directly in an index. This information is subject to change at any time based on upon market or other conditions and may not be relied on as a forecast of future events or a guarantee of future results. Fund holdings, sector and portfolio allocations are subject to change at any time and are not recommendations to buy or sell any security. **Past performance does not guarantee future results.**

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For U.S. Treasury, Treasury Obligations and Government Obligations – 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 Retail Prime Obligations and Retail Tax-Free Obligations – 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 Institutional Prime Obligations – 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.

Income from tax-exempt funds may be subject to state and local taxes and a portion of income may be subject to the federal and/or state alternative minimum tax for certain investors. Federal income tax rules will apply to any capital gains distribution.

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