

U.S. Bancorp Asset Management Discusses Plans for First American Funds

U.S. Bancorp Asset Management, Inc. is fully committed to being a leading provider of short-term cash management solutions. As the investment advisor to the First American Funds, we are working diligently to make certain the funds will be in compliance with the money market fund reforms announced by the Securities and Exchange Commission (SEC) last summer. We also are considering several additions to our ultimate product line to ensure that we remain positioned to offer investment products and solutions to meet investors' short-term cash investment needs. To that end, we have had in-depth discussions with our clients and intermediaries to determine their needs and concerns in light of the reforms. As a result of these discussions – as well as additional due diligence and the analysis of additional SEC guidance – we are currently considering the following changes to the First American Funds line-up. Importantly, we note that our plans may change between now and October 2016 and that any such plans are subject to the approval of the First American Funds' Board of Directors.

First American Prime Obligations Fund

The floating net asset value (NAV) provisions for institutional prime funds and the adoption of liquidity fees and redemption gates for all prime funds will not become effective until October 14, 2016. The SEC made clear in its release that fund families choosing to offer a retail prime fund with a stable NAV will need to have policies and procedures reasonably designed to limit all beneficial holders to natural persons. We currently plan to offer both an institutional prime fund with a floating NAV and a retail prime fund with a stable NAV to meet the needs of current and future clients. Both the retail and institutional funds would offer same day liquidity. A paramount goal in the management of our institutional prime fund would be to seek to minimize variations in NAV per share, under the umbrella of our current management philosophy of principal preservation, liquidity and risk-adjusted yield. Note that the earliest we would start to float the institutional fund's NAV would be late third quarter 2016. We also continue to evaluate the need for intra-day NAV calculation(s) for our institutional prime fund. In doing so, we are taking into primary consideration our clients' liquidity and settlement needs, while being considerate of fund expenses and other operational factors.

First American Tax Free Obligations Fund

The requirements for tax free funds under the new rules are the same as for prime funds. We have similar plans to offer both an institutional tax free fund and a retail tax free fund, both of which would offer same day liquidity. The retail tax free fund would remain a stable NAV fund, while the institutional tax free fund would have a floating NAV. Once again, the primary goal in the management of our institutional tax free fund would be to seek to minimize variations in NAV per share, while keeping true to our core philosophy of principal preservation, liquidity and risk-adjusted yield. Similar to our institutional prime fund, the earliest we would start to float the NAV on the institutional tax free fund would be late third quarter 2016.



Lou Martine
Senior Managing Director
Head of Distribution



First American Government Obligations Fund, Treasury Obligations Fund and U.S. Treasury Money Market Fund

[As previously announced](#), the First American Government Obligations Fund, Treasury Obligations Fund and U.S. Treasury Money Market Fund (collectively, the Government Funds) have no intention to impose redemption gates and liquidity fees. In addition, as permitted under the new rules, our Government Funds will remain stable NAV funds, pricing and transacting at \$1.00. Our Government Funds have already been operating in compliance with the requirement that, effective October 2016, government money market funds hold at least 99.5% of their total assets in cash, U.S. government securities, and / or repurchase agreements that are collateralized fully by U.S. government securities.

New Funds Under Consideration

We are exploring the possibility of offering other prime products for institutional use, such as a 60-day maximum maturity fund, which would typically have the ability to use amortized cost to value individual portfolio securities and thus further lower the risk of NAV variability. We are also considering private funds for qualified institutional investors, which would be organized as stable NAV funds and be exempt from redemption gates and liquidity fees. Additionally, an institutional tax free fund wholly invested in 1- and 7-day variable rate demand notes – with the goal of further limiting the probability of variations in NAV and the imposition of liquidity fees and redemption gates – is under consideration. As we undertake further dialogue with clients and intermediaries, we will continue to evaluate these and other cash management vehicles that could prove beneficial to our current and future clients.

The new rules affecting money market funds will meaningfully change the nature of prime and tax free money market funds. However, as with all things, change brings opportunity. We remain committed to providing the best cash management products and strategies to our clients, be they through First American money market funds, customized separately-managed accounts or yet-to-be-developed products and strategies. In that vein, we offer the above discussion of our plans for the benefit of our current and future clients. As our plans solidify, you can expect further communication from us.

Author's Bio:

Lou Martine is the Head of Distribution and Marketing for U.S. Bancorp Asset Management. Lou has overall responsibility for sales, marketing, client services, communications and product research for U.S. Bancorp Asset Management and First American Funds. He is a member of the Investment Practices Committee and the Internal Compliance Controls Committee. Prior to joining U.S. Bancorp Asset Management in 2005, he served as managing director, investment banking for the debt capital markets group of Piper Jaffray. Prior to joining Piper Jaffray, Lou was an attorney for Barnes & Thornberg, an Indianapolis-based law firm. Lou earned a B.B.A in finance, with a second major in English from the University of Notre Dame, an M.B.A. from the J.L. Kellogg Graduate School of Management at Northwestern University and a J.D. from Northwestern University School of Law.

Definitions

Liquidity is a characteristic of a security or commodity with enough units outstanding to allow large transactions without a substantial drop in price.

Net Asset Value (NAV) is a mutual fund's price per share, calculated by dividing the total assets – less any liabilities – by the number of shares outstanding.

Retail Funds are funds having policies and procedures reasonably designed to limit all beneficial owners of the fund to natural persons. The types of accounts that will qualify to purchase retail prime funds in the future include individual retirement, health savings and education savings accounts.

Securities and Exchange Commission (SEC) is the federal agency that regulates the registration and distribution of mutual funds.

[See next page for important disclosure information]



The information and views expressed are provided by the First American Funds' portfolio management team and are not intended to be a forecast of future events, a guarantee of future results, or investment advice. It is not intended to provide specific advice or to be construed as an offering of securities or a recommendation to invest. The factual information has been obtained from sources believed to be reliable but is not guaranteed as to accuracy or completeness. **Past performance does not guarantee future results.**

Investors should carefully consider the fund's investment objectives, risks, charges and expenses before investing. The prospectus contains this and other information; call 800.677.3863 or visit FirstAmericanFunds.com for a copy. Please read it carefully before investing.

An investment in money market funds is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency. Although these funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in these funds.

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