Quarterly Portfolio Manager Commentary

January 2020

First American Money Market Funds

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

The U.S. economy and financial markets showed resilience and strength in the fourth quarter, buoyed by accommodative Federal Reserve (Fed) policies, brightening trade prospects and solid consumer health. Manufacturing measures continued to struggle but were offset by strengthening in the much larger non-manufacturing sector. Over the past 12 months, the S&P 500 and NASDAQ indexes gained a robust 28.9% and 35.2%, respectively, on a straight price change basis. Financial conditions are decidedly more positive entering 2020 than was the case in 2019, when a government shutdown, wider credit spreads and Fed tightening conspired to send global equity markets into a tailspin.

Economic Activity – Fourth quarter U.S. Gross Domestic Product (GDP) is forecast to grow in the 2.5% range, accelerating from the third quarter's respectable 2.1% pace. December's ISM Manufacturing Index fell to 47.2 after beginning the year at 54.3, reflecting significant sector contraction as investment spending waned in the wake of trade policy uncertainty earlier in the year. December's ISM Non-Manufacturing Index steadied to 55.0, further recovering from September's three-year low reading of 52.6. December's employment report was a mixed bag. The U3 Unemployment Rate remained at 3.5% while Non-farm Payrolls rose 145,000 – slightly below estimates – along with a negative 14,000 in revisions to previous data. Average Hourly Earnings rose .11%, bringing the year-over-year increase to a mild 2.87%. On the brighter side, Household Employment and the Labor Force rose 267,000 and 209,000, respectively, in December. The U6 Underemployment Rate – the broadest measure of unemployment – fell to a record low of 6.7%. Inflation remains stubbornly below the Fed's 2.0% target level, with November's U.S. PCE Core Price Index – the Fed's preferred measure of inflation – checking in at 1.612%. There was mixed progress with inflation expectations in the quarter. On the positive side, the five-year TIPS vs. Treasury spread ended the quarter at 1.70%, up 25 basis points (bps) from the intra-quarter low of 1.45% on October 31st. Countering the trend, the University of Michigan's survey, Expected Change in Prices During the Next 5 to 10 Years, fell to a near 40-year low of 2.2%.

Monetary Policy – The Fed cut the federal funds target range 25 bps at the October 30th meeting to a target range of 1.50% – 1.75% and left policy rates unchanged at the December 11th meeting. Fed officials signaled the Fed's most likely path was an extended pause in mid-cycle rate adjustments. The Fed's Dot Plot forecast indicated a single 25 bp rate hike in 2021 and a long-term target rate of 2.50%, which likely reflects the Fed's belief current policy rates are below neutral rather than a true forecast for the next policy action. In response to rate spikes seen in repo and the Secured Overnight Financing Rate (SOFR), the Fed flooded the market with liquidity through overnight and term repo facilities to manage year-end funding demands. The Fed's actions were effective, as year-end repo levels traded within the federal funds target range. Chairman Powell suggested longer-term structural changes to managing the federal funds rate – including regulatory adjustments to bank liquidity requirements and standing repo facilities – require further study. The Fed will continue to purchase $60 billion in T-bills at least into April to ensure ample reserves are present in the banking system. If needed, the Chairman said the Fed is open to expanding balance sheet purchases into coupon Treasuries in addition to T-bills.

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Fiscal Policy – U.S. / China trade tensions eased in December after the two countries agreed to phase one of a trade agreement expected to be signed in January. The deal is modest, with the U.S. cancelling a new round of tariffs which had been scheduled to take effect on December 15th in exchange for China purchasing more agricultural products and enhancements to intellectual property protections. While the deal's immediate impact on U.S. GDP is marginally positive, expected improvements in CEO and business confidence should provide an additional boost to the economy. Election and impeachment politics will dominate Washington's attention with little in the way of fiscal stimulus expected. Dysfunction surrounding the Presidential election will be a key market risk in the latter half of 2020, providing the Fed further cause to err toward patience or accommodation.

Credit Markets – The U.S. Treasury yield curve steepened noticeably in the quarter, relieving some of the recession risk implied by this historically relevant indicator. The decline in one-year and shorter yields was primarily driven by the Fed's October 30th rate cut while longer yields turned higher on the Fed's stated commitment to pausing mid-cycle rate adjustments and a brighter economic outlook. Another positive sign for financial conditions is the $5.77 trillion decline in the Barclays Global Aggregate Negative Yielding Debt from the August 29th high of $17.04 trillion. Credit continued to outperform Treasuries. BBB credit in particular saw significant spread tightening in the quarter despite the persistent hand-wringing by analysts of overvaluation and deteriorating credit standards. Global demand for yield continues to be the most powerful driver of U.S. corporate debt performance.

Yield Curve Shift

U.S. Treasury Curve	Yield Curve 09/30/19	Yield Curve 12/31/19	Change (bps)*
3 Month	1.807%	1.544%	-26.3
1 Year	1.745%	1.566%	-17.9
2 Year	1.622%	1.569%	-5.3
3 Year	1.560%	1.609%	4.9
5 Year	1.544%	1.691%	14.7
10 Year	1.665%	1.917%	25.2

The 3-month to 10-year portion of the yield curve steepened 51.5 bps in the quarter and has not been inverted since October 10, 2019. The 2-year to 10-year portion of the yield curve steepened 30.5 bps in the quarter and has not been inverted since August 30, 2019.

Duration Relative Performance

**Duration estimate is as of 12/31/19*

In general, shorter duration indexes outperformed their longer counterparts. The significant steepening of the yield curve and the jump in yields for maturities three years and longer negatively impacted indexes and portfolios with exposure to securities in this sector.

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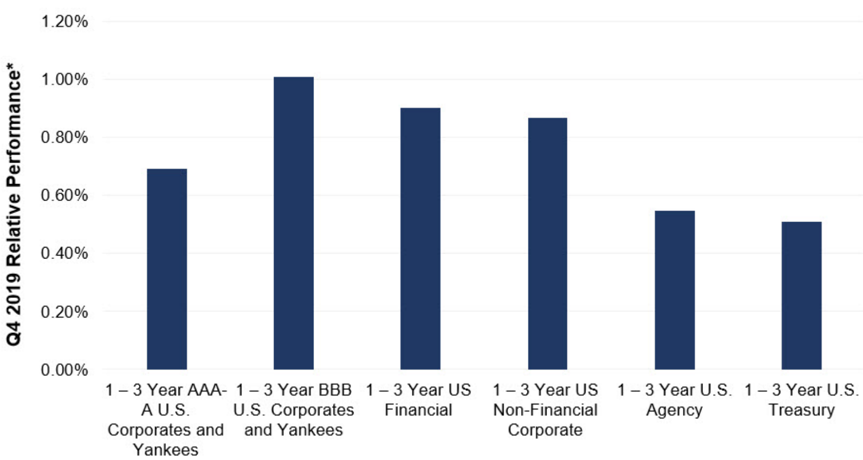
Credit Spread Changes

ICE BofAML Index	OAS* (bps) 09/30/19	OAS* (bps) 12/31/19	Change (bps)
1-3 Year U.S. Agency Index	3	3	0
1-3 Year AAA-A U.S. Corporate and Yankees	8	10	2
1-3 Year AA U.S. Corporate and Yankees	30	27	-3
1-3 Year A U.S. Corporate and Yankees	48	40	-8
1-3 Year BBB U.S. Corporate and Yankees	80	68	-12
0-3 Year AAA U.S. Fixed-Rate ABS	34	42	8
*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 grinded tighter in the quarter. AAA-rated asset-backed securities (ABS) spreads widened in the quarter with most of the adjustment occurring in the back-half of December, most likely due to light year-end trading and dealer balance sheet window dressing rather than a dramatic weakening in investor sentiment.

Credit Sector Relative Performance of ICE BofA Indexes



**AAA-A Corporate index outperformed the Treasury index by 18.2 bps in the quarter.*

AAA-A Corporate index underperformed the BBB Corporate index by 31.8 bps in the quarter.

U.S. Financials outperformed U.S. Non-Financials by 3.7 bps in the quarter.

Fourth quarter U.S. corporate credit performance benefitted from tighter spreads with a general trend of lower-rated credit outperforming higher-rated credit. Financials mildly outperformed their non-financial counterparts. Agencies outperformed Treasuries by 3.6 bps in the quarter.

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

The fourth quarter saw the Fed deliver its final rate cut for the year at the October 30th meeting. While the employment data remained robust, more tame economic data coupled with trade war uncertainty and general market volatility put the Fed on hold for the foreseeable future. The Fed gained control of the repo markets and, aside from typical year-end volatility, the front end of the yield curve flattened. While the Fed weighs its next move, we believe economic risks are to the downside and expect front-end rates to reflect that tone.

First American Prime Obligations Funds

With the credit environment stable, our main investment goal was to enhance portfolio yield while judiciously extending the portfolio weighted average maturity

(WAM) and weighted average life (WAL) based on our credit, economic, investor cash flow and interest rate outlook. Fourth quarter fund yields reflected the lower fed funds and LIBOR rates and the expected flat-rate environment. The overall investment environment for prime funds remains attractive. We believe relative fund yields will be sustainable and the credit environment will remain stable, making the sector an attractive short-term cash option for investors.

First American Government and Treasury Funds
Treasury, agency and dealer repo supply have been plentiful and kept government money market fund yields robust. The repo dislocation the market experienced late in the third quarter was contained at year end, as the Fed used several tools to manage funding demands, keeping repo in a normal trading range. With repo expectations subdued and the Fed on hold after the October rate cut, the yield curve flattened putting all Treasury and government securities in a tighter trading range. Aside from the repo sector, with rates falling and market sentiment typically dovish, we found opportunities for value added WAM extension elusive, but capitalized on market volatility to buy fixed- and floating-rate securities when it made economic sense.

First American Retail Tax Free Obligations Fund
Combined assets for all tax-exempt money market funds grew by nearly $3.5 billion in the fourth quarter. These inflows reversed the previous withdrawals trend which had persisted for much of 2019. Demand for tax-exempt money funds continues to be influenced by relative yield comparisons vs. taxable investments, as well as the shape of the municipal yield curve and the outlook for future Fed activity. During the last two weeks of the year, SIFMA spiked 50 bps. We expect this increase in yield to be short-lived, as it primarily reflects an unwillingness of broker dealers to carry inventory over year end. Fund management has focused on strategies which seek to protect yield, including extending the WAM and maintaining an approximate 25% allocation to fixed-rate investments.

What near-term considerations will affect fund management?

In the coming quarters, we anticipate yields on non-government debt will compress due to a dovish Fed, tightening LIBOR levels, positive credit conditions and simple supply / demand dynamics. However, we believe both the institutional and retail prime obligations funds will remain attractive short-term investment options for investors seeking higher yields on cash positions while assuming minimal credit risk. Yields in the GSE and Treasury space should 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 and control front-end rates. With the Fed comfortable with the current rate environment and repo trading in a tighter range, the curve should flatten further creating a more benign environment in the government space. We will continue to seek opportunities – in all asset classes – that arise from market volatility 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

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Federal Reserve Bank of New York, Statement Regarding Treasury Bill Purchases and Repurchase Operations, October 11, 2019

Federal Reserve Bank of New York, Repurchase Agreement Operational Details, December 12, 2019

Municipal Market Data

Office of the United States Trade Representative, Agreement Between the United States of America and the People's Republic of China, December 13, 2019

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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.

Federal Reserve Dot Plot is issued by the Federal Open Market Committee (FOMC) to pictorially show the participants' collective judgment of expected year-end interest rates.

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 Index 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 is index is a key measure of the national economy.

ISM Non-Manufacturing Index 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.

LIBOR Rates are rates that the most creditworthy international banks dealing in eurodollars charge each other for large loans. The LIBOR rate is usually the base for other large eurodollar loans to less creditworthy corporate and government borrowers.

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.
NASDAQ is a global electronic marketplace for buying and selling securities, as well as the benchmark index for U.S. technology stocks.
Personal Consumption Expenditures Index (PCE) is a measure of price changes in consumer goods and services. It is essentially a measure of goods and services targeted toward individuals and consumed by individuals.
Personal Consumption Expenditures (PCE) Deflator Index is a measure of prices paid by consumers for goods and services.
S&P 500 or Standard & Poor's 500 Index is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies.
SIFMA is the Securities Industry and Financial Markets Association, a United States based trade group representing banks, brokerages and asset management firms.
Secured Overnight Financing Rate (SOFR) is part of the LIBOR reform introduced this year by the U.S. Alternative Reference Rates Committee. For the U.S. rate market, SOFR is calculated using actual transactions in repurchase agreements collateralized with U.S. Treasuries and not with 'predictive transactions' as with LIBOR.
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.
U6 Underemployment Rate is the unemployment rate that includes discouraged workers who have quit looking for a job and part-time workers who are seeking full-time employment.
Weighted Average Life, also known as Weighted Average Final Maturity, (WAL) is the average time to maturity of all the securities held in the portfolio, weighted by each security's percentage of total investments. Unlike WAM, the WAL calculation takes into account the final maturity date for each security held in the portfolio. WAL measures a fund's sensitivity to potential credit spread changes.
Weighted Average Maturity (WAM) is the average time to maturity of all the securities held in the portfolio, weighted by each security's percentage of total investments. This calculation takes into account the final maturity date for a fixed income security and the interest rate reset date for a floating rate security, which is allowed by Rule 2a-7 provisions. WAM measures a fund's sensitivity to interest rate changes.
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.

[See next page for important disclosure information]

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.*

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