Quarterly portfolio manager commentary

First American Money Market Funds

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

The U.S. economic outlook has improved on the prospect for a sustained economic reopening and a flood of fiscal stimulus. Pent-up demand for goods and services along with strong consumer finances are expected to drive growth and inflation levels higher in the second quarter. Inflation fears have lifted longer rates and steepened the U.S. Treasury curve, a trend expected to continue through much of 2021.

Economic Activity – The economic outlook for 2021 is exceptionally robust as economic reopening accelerates and consumer finances are bolstered by employment gains and fiscal stimulus checks. Consensus forecasts suggest 4.7% and 5.8% growth rates for the first quarter and all of 2021, respectively. Employment growth increased in the quarter with Non-farm Payrolls (NFP) adding 1.617 million jobs, including a 916k jump in March.The U3 Unemployment Rate fell to 6.0% from 6.7% at the end of 2020. Despite the strong gains, NFP data shows the economy has still shed 8.4 million jobs since last February. March's stellar ISM Manufacturing and ISM Services readings of 64.7 and 63.7 respectively confirm the acceleration of activity. For context, any reading over 50 indicates sector expansion and the 64.7 Manufacturing print was the highest since 1980. The Federal Reserve's (Fed) preferred inflation index – the PCE Core Deflator Index – remained subdued at 1.4% in February. However, inflation expectations as measured by the five-year TIPs vs. Treasuries continue to move higher, reaching 2.6% at the end of the quarter.

Monetary Policy – Pushing back on growing perceptions they may be falling behind the inflation curve, the Fed did not alter current policies at either the January 27th or March 17th meetings. Chairman Powell has remained steadfast in views the Fed should and will maintain highly accommodative monetary policies until substantial progress has been made achieving the twin goals of maximum employment and 2% average inflation. The March 17th Fed Dot Plot still forecasted the first rate hike for 2024, although some FOMC participants signaled an earlier rate hike may be warranted. The Fed remained committed to monthly net purchases of $80 billion in U.S. Treasury Securities and $40 billion in agency mortgage-backed

Have an investment goal? Let's talk.

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securities, although there is significant debate over when the Fed should signal the need to taper purchases.

Fiscal Policy – The Biden Administration and Democratic-controlled Congress passed a $1.9 trillion COVID-19 relief package in March. The legislation sends direct payments of $1,400 to most Americans and extends a $300 enhanced unemployment benefit until September 6th, further bolstering consumer savings accounts. $350 billion in aid was also provided to state and local governments to counter the fallout from economic shutdowns. The sizable package comes on the heels of a $900 billion COVID-19 relief bill passed in the last week of December. Further, the Biden Administration is proposing a $2+ trillion plan to address the country's infrastructure as well as funding many traditional Democratic priorities. President Biden is proposing to pay for his plan with tax increases, including an increase in the corporate tax rate from 21% to 28%. The scale of fiscal relief with the prospect for more being injected into a growing economy is virtually unprecedented and has stoked inflation fears impacting the yield curve and sparked debate over the appropriateness of current Fed policies and guidance.

Credit Markets – For much of the first quarter, front-end U.S. Treasury yields were under pressure from the flood of cash entering the system through the Fed's asset purchases and the drawdown of the Treasury's General Account. The Fed's commitment to keeping policy rates near zero through 2023 limits the downside risk of front-end yields moving higher, while the yield curve's proximity to zero offers little room for further declines. Longer yields will remain under pressure to move higher as growth and inflation measures accelerate to the upside. Yields beyond three years are more vulnerable to positive economic and vaccine news, increasing the risk of further yield curve steepening. Corporate credit conditions remain robust with strong primary and secondary market liquidity.

Yield Curve Shift

U.S. Treasury Curve	Yield Curve 12/31/2020	Yield Curve 03/31/2021	Change (bps)*
3 Month	0.058%	0.015%	-4.3
1 Year	0.104%	0.056%	-4.8
2 Year	0.121%	0.160%	3.9
3 Year	0.165%	0.346%	18.1
5 Year	0.361%	0.939%	57.9
10 Year	0.913%	1.740%	82.7

**The three-month to ten-year portion of the yield curve steepened 81.9 basis points (bps) to 172.5 bps. The severe steepening reflects the different market dynamics impacting front-end yields vs. longer-dated maturities, with three-month T-bills controlled by Fed rate policies and flows into the money market space and ten-year yields driven by growth and inflation expectations.*

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Duration Relative Performance

**Duration estimate is as of 03/31/2021*

Benchmarks with exposure to maturities longer than three years were heavily impacted by the significant first quarter yield curve steepening.

Credit Spread Changes

ICE BofA Index	OAS* (bps) 12/31/2020	OAS* (bps) 03/31/2021	Change (bps)
1-3 Year U.S. Agency Index	6	2	-4
1-3 Year AAA U.S. Corporate and Yankees	11	11	0
1-3 Year AA U.S. Corporate and Yankees	22	22	0
1-3 Year A U.S. Corporate and Yankees	33	40	7
1-3 Year BBB U.S. Corporate and Yankees	69	71	2
0-3 Year AAA U.S. Fixed-Rate ABS	32	35	3
*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 were slightly wider for BBB and A-rated credits. The adjustment was related more to a mild normalization of spreads from historically low levels than a deterioration of corporate credit conditions.

The 7.706% one-year performance of the ICE BofA 1-5 Year U.S. Corporate Index (CVA0) illustrates the remarkable recovery in corporate credit spreads:

Date	OAS (bps)	Effective Yield	Implied UST Yield
03/23/2020*	430	4.65%	0.35%
03/31/2020	304	3.32%	0.28%
03/31/2021	64	1.07%	0.43%

**USBAM marks 3/23/20 as the peak of pandemic-inspired market dysfunction.*

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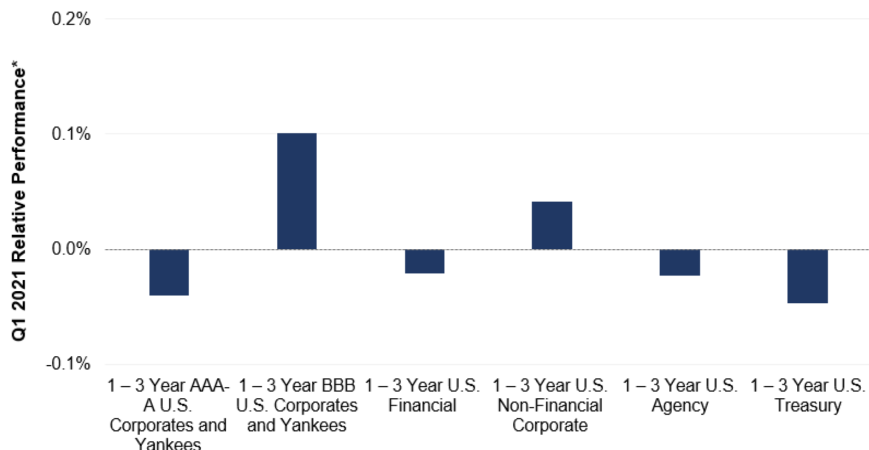
Credit Sector Relative Performance of ICE BofA Indexes



**AAA-A Corporate index outperformed the Treasury index by 0.7 bps in the quarter.*

AAA-A Corporate index underperformed the BBB Corporate index by 14.1 bps in the quarter.

U.S. Financials underperformed U.S. Non-Financials by 16.2 bps in the quarter.

As expected, performance differentials among asset classes compressed vs. previous quarters as credit spreads seem to have reached a limit for additional tightening. Non-financials outperformed financials, driven primarily by the general lack of supply and high demand for investment grade industrial credit.

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

The first quarter of 2021 cast a more positive tone as economic data improved, COVID-19 vaccinations gained momentum and overall market optimism began to spread. However, the money market yield environment remained challenged as technical forces pushed additional cash into the system coupled with the FOMC's existing stimulative monetary policy actions. As a result, the money market industry experienced additional inflows as this new cash searched for a home. U.S. Treasury bill and Repo levels remained entrenched at the bottom of the FOMC's fed funds rate target with little sign of near-term relief.

First American Prime Obligations Funds

Credit spreads have tightened and stabilized, reflecting the trading ranges and yields we should expect in the current low rate environment. Still facing an uncertain economic and political backdrop, we positioned the funds with strong portfolio liquidity metrics influenced by fund shareholder makeup. We continued to employ a heightened credit outlook as we maintained positions presenting minimal credit risk to fund investors. Under the current market conditions, our main investment objective was to maintain liquidity and judiciously enhance portfolio yield based on our economic, investor cash flow, credit and interest rate outlook. We believe the credit environment and relative fund yields make the sector an appropriate short-term option for investors.

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First American Government and Treasury Funds
Treasury and government funds continued to see inflows as the monetary system cash balances grew. Treasury Bill / Note supply decreases resulting from the reduction in U.S. Treasury general account pushed Government-Sponsored Enterprise (GSE) and Treasury yields to a trading range near the bottom of the FOMC's fed funds target. Management continued to focus on securing long-term yield when rangebound trading opportunities arose, seeing little downside to extension, anticipating a low yield environment for the foreseeable future. Throughout the quarter, we also capitalized on opportunities in floating-rate investments that we believed made economic sense and felt would benefit shareholders over the securities holding period.

First American Retail Tax Free Obligations Fund
Investors continue to search for better yielding alternatives to tax-free money market funds. During the first quarter, the industry experienced outflows of approximately 7% of total assets under management (AUM) or $7 billion. This is particularly noteworthy as this period does tend to see a higher amount of reinvestment demand from municipal bond coupon payments and maturities. The tax-free money market fund industry AUM is currently at its lowest level in nearly 30 years. Despite the steady money market outflows, demand for short-term municipal securities has remained strong. Municipal bond funds have seen fairly consistent inflows since the middle of last year. Recent volatility in the intermediate and long end of the yield curve may be encouraging some investors to focus efforts on bonds with shorter maturity notes and bonds. The Fund continues to be positioned with a longer weighted average maturity and higher allocations to fixed-rate investments vs. many of its peers. However, considering the steady outflows and lower market yields, we have allowed the Weighted Average Maturity (WAM) to shorten over recent weeks. We expect strong municipal market technical factors during the summer months and will be motivated to extend the fund's WAM ahead of June.

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 and the FOMC's commitment to ease monetary policy. It appears the yield on non-government debt has bottomed as LIBOR has found a floor with supply-demand dynamics in equilibrium. We believe that prime money market fund yields are near a floor as most seasoned / pre-pandemic holdings have matured. 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 GSE and Treasury space will remain influenced by Fed policy and Treasury bill / note supply. We believe the Fed will provide the tools necessary to normalize the repo market, foster market liquidity and keep front-end rates above zero. Assuming no additional Fed policy adjustments, we anticipate T-bill / note issuance to decline, providing the sector with further challenges to invest large balances efficiently. Any 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 capitalize on investment 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/index/FundPerformance/PortfolioHoldings.html

Sources

Bloomberg

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.

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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 (or ISM Services) 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.
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.
Non-farm payrolls (NFP) is the measure of the number of workers in the U.S. excluding farm workers and workers in a handful of other job classifications.

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PCE Core Deflator Index is defined as personal consumption expenditures (PCE) prices excluding food and energy prices. The index measures the prices paid by consumers for goods and services without the volatility caused by movements in food and energy prices to reveal underlying inflation trends.
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.
Treasury Inflation-Protected Securities (TIPS) are a type of Treasury security issued by the U.S. government. TIPS are indexed to inflation in order to protect investors from a decline in the purchasing power of their money.
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.**

Mutual Fund Investing Involves Risk. ***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 www.FirstAmericanFunds.com for a copy. Please read it carefully before investing.***

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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