Quarterly portfolio manager commentary

First American Money Market Funds

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

Equity and credit markets continued their improvement in the final quarter of 2020, weathering a contentious Presidential election while riding a wave of fiscal and monetary stimulus. The longer-term economic outlook brightened with the development of several promising COVID-19 vaccines, while the near-term outlook suffered from increases in localized economic and social restrictions in response to growing virus infection rates.

Economic Activity – Toward the end of the year, the economy showed signs of faltering under the weight of economic shutdowns. Consensus forecasts suggest fourth quarter U.S. Gross Domestic Product (GDP) grew at a 4.6% quarter-over-quarter annualized rate after exploding 33.4% in the third quarter. The pace of improvement in employment conditions slowed, with Q4 Non-farm Payrolls (NFP) adding 850,000 jobs in the quarter after gaining 3.965 million jobs in Q3. Notably, NFP lost 140,000 jobs in December, a reflection of additional economic restrictions put in place to combat wider outbreaks of the virus. Sadly, the economy has recovered only 12.321 million of the 22.160 million jobs lost in March and April. On the positive side, ISM Manufacturing and ISM Services beat expectations in December with readings of 60.7 and 57.2 respectively. For context, any reading over 50 indicates sector expansion and the 60.7 Manufacturing print was the second-highest level reached in the past decade. The Federal Reserve's (Fed) preferred inflation index – the PCE Core Deflator Index – remained subdued at 1.4% in November. However, inflation expectations as measured by the five-year TIPs vs. Treasuries have moved over 2%, driven by expectations for faster growth from increased fiscal stimulus and economic re-opening as vaccines are more widely distributed. Early 2021 growth expectations got a boost when Democrats gained control of the Senate, which should clear a path for more fiscal stimulus than would have been expected under a split government.

Monetary Policy – In what passes for a quiet period these days, the Fed did not alter current policies at either the November 3rd or December 15th meetings. Certain programs designed to support the corporate and municipal credit markets expired after then Treasury

Have an investment goal?
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FIRST AMERICAN FUNDS®
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Secretary Mnuchin asked the Fed to return $455 billion in unused funds to Congress for re-appropriation – part of which was used for the $900 billion fiscal relief package passed in late December. Despite some initial angst, the announcement had little impact on the credit markets as the usage of the facilities had been light and a general view the programs could be re-instated if needed under a Biden administration. Despite the lack of new policy accommodation, the Fed's policy reaction function appears to be asymmetric, with economic and / or financial market declines met with vigorous policy responses while asset price appreciation and / or strong economic growth allowed to continue.

Current key Fed policies:

- **Interest Rates** – The Fed has indicated the current federal funds target range of 0.0% – 0.25% will remain in place at least through 2023.
- **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.

Fiscal Policy – After significant saber-rattling on both sides, Congress passed and President Trump signed a roughly $900 billion COVID relief package in the last week of December. The package includes a $600 payment to individuals based on income requirements, $300 in enhanced monthly unemployment benefits through March and $284 billion for a second round of Paycheck Protection Program loans for small businesses. With Democrats gaining control of the Senate, House and White House and a soft December employment report, further fiscal stimulus is almost assured in early 2021. Potential actions include a $2,000 payment to those most impacted by economic shutdowns, a reinstatement of state and local tax deductions and direct aid to state and local municipalities.

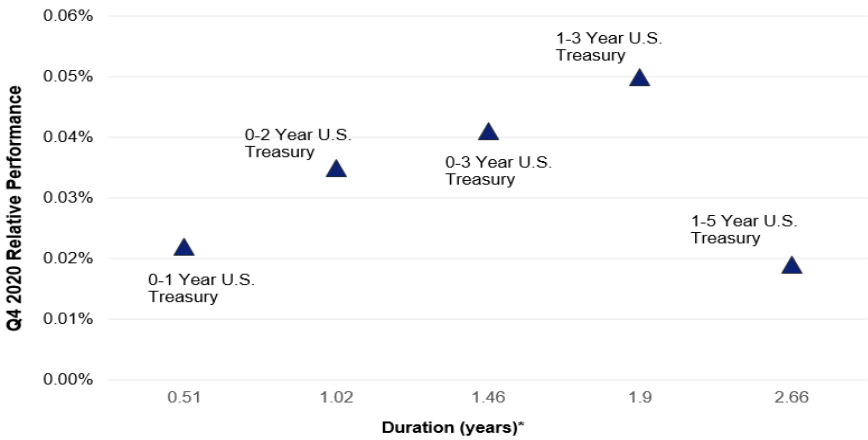
Credit Markets – Front-end U.S. Treasury yields remained relatively stable in the quarter. The Fed's commitment to keeping policy rates near zero through 2023 limits the downside risk of yields moving higher, while low absolute yield curve levels offer little room for further declines absent a severe economic or market downturn. Going forward, shifts in the short end of the yield curve are likely to be driven by technical factors such as U.S Treasury issuance patterns and the duration composition of Fed asset purchases. Yields beyond five-years appear to be more vulnerable to positive economic and vaccine news. Which in turn could be a catalyst for higher inflation expectations, the key driver of shifts on the longer-end of the curve.

Yield Curve Shift

U.S. Treasury Curve	Yield Curve 09/30/2020	Yield Curve 12/31/2020	Change (bps)*
3 Month	0.092%	0.058%	-3.3
1 Year	0.117%	0.104%	-1.3
2 Year	0.127%	0.121%	-0.6
3 Year	0.157%	0.165%	0.8
5 Year	0.277%	0.361%	8.4
10 Year	0.684%	0.913%	22.9

The three-month to ten-year portion of the yield curve steepened 26.3 basis points (bps) to 85.5 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 12/31/2020*

Given the absolute low level of rates and the minor yield curve movements for U.S. Treasuries inside of five-years, the differential in short duration U.S. Treasury index returns were minimal.

Credit Spread Changes

ICE BofA Index	OAS* (bps) 9/30/2020	OAS* (bps) 12/31/2020	Change (bps)
1-3 Year U.S. Agency Index	11	6	-5
1-3 Year AAA U.S. Corporate and Yankees	15	11	-4
1-3 Year AA U.S. Corporate and Yankees	34	22	-13
1-3 Year A U.S. Corporate and Yankees	49	33	-16
1-3 Year BBB U.S. Corporate and Yankees	108	69	-39
0-3 Year AAA U.S. Fixed-Rate ABS	40	31	-9
		*OAS = Option-Adjusted Spread	

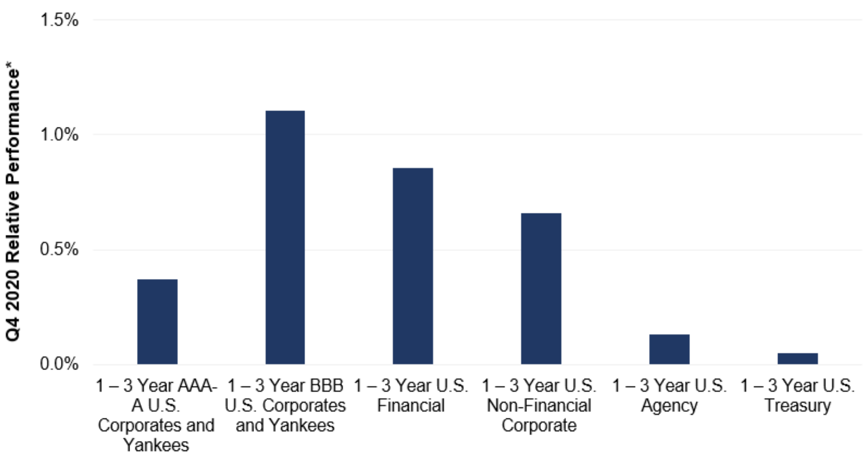
Option-Adjusted Spread (OAS) measures the spread of a fixed-income instrument against the risk-free rate of return. U.S. Treasury securities generally represent the risk-free rate.

Backed by central banks accommodation, vaccine-inspired economic enthusiasm and strong demand for any form of yield, credit spreads continued to tighten at a brisk pace in the fourth quarter, capping a remarkable recovery from the wides seen in March. Adding further value for investment-grade (IG) investors, the corporate IG credit curve flattened 12.7 bps for three-month vs. five-year debt.

For the year, the gyrations of the ICE BofA 1-5 Year U.S. Corporate Index (CVA0) OAS illustrate the remarkable widening and recovery in corporate credit spreads:

Date	OAS (bps)	Effective Yield	Implied UST Yield
12/31/2019	61	2.24%	1.63%
03/23/2020	430	4.65%	0.35%
12/31/2020	60	0.79%	0.19%

Credit Sector Relative Performance of ICE BofA Indexes



**AAA-A Corporate index outperformed the Treasury index by 32.2 bps in the quarter.*

AAA-A Corporate index underperformed the BBB Corporate index by 73.3 bps in the quarter.

U.S. Financials outperformed U.S. Non-Financials by 19.9 bps in the quarter.

For the third straight quarter, corporate credit and spread product generated significant excess returns over U.S. Treasuries, with lower-rated credit outperforming their higher-rated counterparts. Financials outperformed non-financials after sector spreads tightened more for banks than industrials.

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

The fourth quarter of 2020 was a continuation of the third as COVID-19 and political uncertainty forced market participants to speculate on the timing of potential recovery and stimulus scenarios and their possible impacts on markets. The Fed reaffirmed their easy monetary stance indicating rates will be at, or near zero for the foreseeable future. The money market industry experienced some outflows as yields declined, but overall AUM was still elevated. U.S. Treasury bill and Repo levels remained entrenched at the lower bound of the FOMC's Fed funds rate target while indicating little sign of significant change.

First American Prime Obligations Funds

The Fed's liquidity programs restored confidence in the first quarter, stabilizing prime fund metrics. Since then, credit spreads have tightened and stabilized reflecting the trading ranges and yields expected in the current low rate environment. Still facing an uncertain economic, political and credit 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 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 the credit environment and relative fund yields make the sector an appropriate short-term option for investors.

First American Government and Treasury Funds

Treasury and government funds continued to see inflows as the monetary system remained flooded with cash and investors had limited alternatives. Overall, Treasury supply has flattened placing Government and Treasury securities in a steady trading range near the lower bound of the FOMC's fed funds target. Management continued to focus on securing long-term yield when range-bound 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 we believed made economic sense and felt would benefit shareholders over the security's holding period.

First American Retail Tax Free Obligations Fund

Investor outflows from tax-free money market funds have persisted due to the extremely low net yields offered. These redemptions have taken a heavy toll on the industry with total losses of close to $30 billion, or a 20% decline. Importantly, the amount of Variable Rate Demand Notes outstanding currently exceeds industry AUM by a rather substantial amount. This has ramifications for resets as broker-dealers must rely on separate accounts and non-traditional buyers to pick up the slack in demand. SIFMA traded in a tight band of around 10 bps, which perhaps was a bit higher than expectations. We continued to focus on protecting the Fund's yield from risk of a further decline. October brought a flurry of issuance as many municipalities looked to bring new deals in advance of the election. We were happy to take advantage and added several positions that should benefit the Fund's yield through much of 2021. Our mindset is to position the Fund with a longer duration and higher allocations to fixed rated securities vs. our peers.

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, economic slowdown and the Fed's easy monetary policies. It appears the yield on non-government debt has bottomed as a result of Fed liquidity programs, tightening LIBOR levels and improved liquidity. We believe that prime fund yields are near a floor as most seasoned / pre-pandemic holdings have matured. 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 stable, 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/index/FundPerformance/PortfolioHoldings.html

Sources

Bloomberg

Federal Reserve

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 (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.
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.
Variable Rate Demand Note (VRDN) is a debt instrument that represents borrowed funds which are payable on demand and accrue interest based on a prevailing money market rate, such as the prime rate.
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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