Quarterly portfolio manager commentary

First American Money Market Funds

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

Economic Activity – U.S. economic conditions remained weak throughout the third quarter (Q3) as broad-based inflation pressures and aggressive Federal Reserve (Fed) tightening led to sluggish growth and rising interest rates weighed on consumer demand. U.S. Gross Domestic Product (GDP) is forecast to have recovered during Q3 following the first half contraction, but growth estimates are in a subdued 1.0% to 1.5% range. The headline Consumer Price Index (CPI) declined to 8.2% in September, but CPI ex. food and energy year-over-year (YoY) rose to 6.6%. The Fed's preferred inflation index – the PCE Core Deflator Index – increased 4.9% YoY for August, off the February peak of 5.4%, but still near the highest levels since 1983. Headline inflation declined throughout the quarter as commodity prices eased, but core inflation pressures have risen owing to accelerating shelter and labor costs. Inflation is expected to remain elevated into next year as the Fed attempts to slow demand through tighter monetary policy. U.S. consumers have felt the effects of high inflation and tightening financial conditions as real disposable income and personal savings declined during the quarter. Higher prices and a shift in consumption toward non-discretionary items supported modest growth in retail sales. Despite slowing economic momentum, employment conditions remain tight, with August U.S. job openings standing at 10.1 million open positions versus total unemployed workers in the labor force of 5.8 million. Further emphasizing strong labor demand, the U3 Unemployment Rate was 3.5% in September and Average Hourly Earnings rose a healthy 5.0% YoY. The pace of growth in Monthly Non-farm Payrolls (NFP) has begun to slow, with NFP averaging 372,000 during Q3, below last year's pace but very strong versus pre-pandemic levels. Further easing of labor market conditions is needed as a tight job market is constraining economic growth and further pressuring prices.

Fiscal Policy – After two years of unprecedented fiscal stimulus to counter the negative economic impact of COVID-19, government spending will likely be a drag on U.S. GDP in 2022. That said, Congress passed the Inflation Reduction Act in August. Despite

Have an investment goal?
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its name, the Act will have no impact on inflation over the near term, instead focusing spending on investments to combat climate change, lower the cost of prescription drugs, and provide an extension of Affordable Car Act subsidies. On the municipal side, state and local governments have seen early signs of tax collections starting to slow, but strong reserves have left them in a solid position if economic conditions weaken further.

Monetary Policy – The Fed maintained its aggressive monetary policy stance with back-to-back rate hikes of 75 basis points (bps) at the July 27 and September 21 meetings. The target range for the federal funds rate is now 3.0% to 3.25% and quarter-end federal funds futures suggest another 75 bps rate hike is likely at the November 2 meeting. Futures currently expect a year-end federal funds rate near 4.25%, in line with the most recent Federal Open Market Committee (FOMC) median projection, which shows a range of 4.25% to 4.50%. In September, the Fed also fully ramped up its balance sheet reduction program (QT), raising the monthly cap to $60 billion of Treasury securities and $35 billion of agency mortgage-backed securities. The Fed has signaled additional rate hikes will be warranted and anticipates maintaining restrictive rate policies through next year to bring inflation down towards their 2% target and ease labor market conditions. As rates move further into restrictive territory, we expect the pace of tightening to moderate and become more data-dependent.

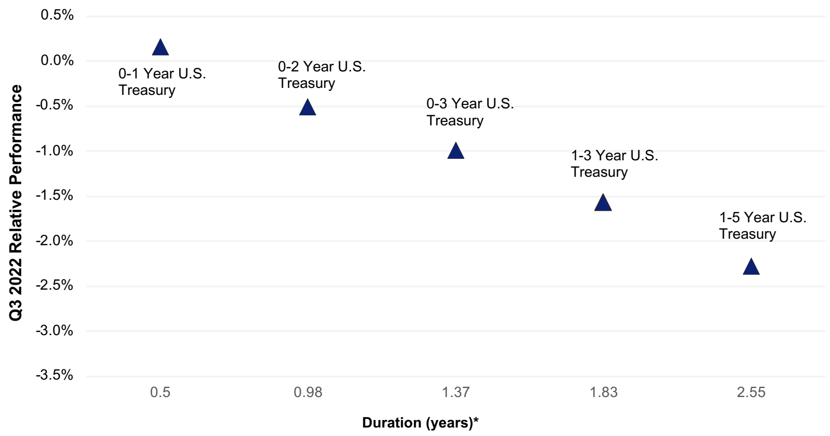
Credit Markets – Continued large-scale Fed rate hikes continued to drive negative absolute returns in fixed income markets in the quarter. Interest rate volatility remains high, not only quarter-over-quarter, but intraday as well. Secondary market liquidity is reduced versus previous periods, with wide bid/ask spreads impacting all sectors, including Treasuries. Higher rates and wider credit spreads have negatively impacted new-issue corporate and asset-backed opportunities. Market technical factors continue to suppress front-end T-bill yields, which continue to trade well below overnight repo

Yield Curve Shift

U.S. Treasury Curve	Yield Curve 6/30/2022	Yield Curve 9/30/2022	Change (bps)
3 Month	1.626%	3.247%	162.1
1 Year	2.742%	3.933%	119.1
2 Year	2.953%	4.279%	132.6
3 Year	3.008%	4.288%	128.0
5 Year	3.038%	4.090%	105.2
10 Year	3.013%	3.829%	81.6

Treasury yield curve levels continued to rise on the heels of an additional 150 bps of Fed tightening and stubbornly high inflation data. The three-month to 10-year portion flattened a healthy 80.5 bps to 58.2 bps. At the same time, the two-year to 10-year portion of the yield curve inverted by 45 bps.

Duration Relative Performance



**Duration estimate is as of 6/30/2022*

Q3 2022 U.S. Treasury performance played out as expected, with longer-duration strategies underperforming their shorter-duration counterparts.

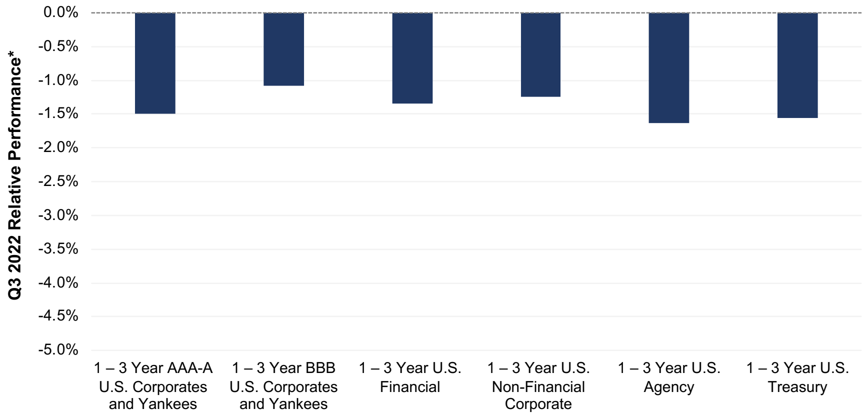
Credit Spread Changes

ICE BofA Index	OAS* (bps) 6/30/2022	OAS* (bps) 9/30/2022	Change (bps)
1-3 Year U.S. Agency Index	5	7	2
1-3 Year AAA U.S. Corporate and Yankees	10	9	-2
1-3 Year AA U.S. Corporate and Yankees	40	38	-2
1-3 Year A U.S. Corporate and Yankees	82	82	0
1-3 Year BBB U.S. Corporate and Yankees	138	131	-7
0-3 Year AAA U.S. Fixed-Rate ABS	94	73	-21

Corporate credit spreads were mostly unchanged to slightly better in the quarter, with asset-backed securities spreads tightening the most in the quarter.

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.

Credit Sector Relative Performance of ICE BofA Indexes



**AAA-A Corporate index outperformed the Treasury index by 6.4 bps.*

AAA-A Corporate index underperformed the BBB Corporate index by 41.3 bps

U.S. Financials underperformed U.S. Non-Financials by 10.3 bps

Higher U.S. Treasury yield curve levels were the driver of negative absolute returns for fixed income indexes. Stable credit spreads helped corporate debt to outperform comparable duration treasuries due to the higher coupon income levels of spread product. This is particularly evident in the 47.7 bps outperformance of BBB corporate debt versus treasuries.

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

The third quarter of 2022 followed a similar theme as the second quarter, as domestic and global inflation remained elevated and geopolitical events added to volatility and strained supply chains. Even with GDP slowing and the odds of a recession increasing, policy makers are again fighting the pressure of having lost the inflation narrative. The Fed raised the federal funds rate 75 bps at both the July and September meetings, bringing the federal funds target to 3.00% to 3.25%. Balance sheet reduction (quantitative tightening) began in June and has now reached its full potential of $95 billion each month.

Money market funds assets remained elevated while the Fed removed accommodation. With the Fed fully focused on price stability and the market anticipating additional rate hikes before year end, we believe money market funds remain an attractive investment options for fixed income investors.

First American Prime Obligations Funds

Credit spreads in the money market have widened modestly, reflecting the volatility around Fed expectations, and exhibiting the trading ranges and yields expected in the current rate and geopolitical environment. Considering the steepening front-end yield curve and a conservative cash flow approach, the Funds were positioned with strong portfolio liquidity metrics influenced by fund shareholder makeup. We continued to employ a heightened credit outlook, maintaining positions presenting minimal credit risk to the Fund's investors. Under the current market conditions, our main investment objective was to maintain liquidity while opportunistically enhancing portfolio yield based on our economic, credit and interest rate outlook, along with considerations of investor cash flow. We believe the credit environment and higher relative fund yields make the sector an appropriate short-term option for investors.

First American Government and Treasury Funds

Treasury bill/note and Government-Sponsored Enterprise (GSE) supply remained tight as the Fed's bloated balance sheet is limiting supply in all government related products. Even with the combination of the Fed's tightening cycle and the steep front-end of the yield curve, historical quantitative easing has suppressed yields and extension opportunities, often pushing market yields below breakeven or economic equilibrium. However, we executed term purchases when market volatility offered prudent opportunities. When presented with appropriate value, we purchased floating-rate investments that benefit shareholders over the securities holding period. We anticipate that our investment strategy will be more fluid in the coming quarters as markets make determinations on the Fed's pace and course of tightening.

First American Retail Tax Free Obligations Fund

Industry tax-exempt money fund assets have peaked at around $100 billion. This is significant as the amount of variable rate demand notes (VRDNs) outstanding is approximately the same. To the extent money market fund assets remain above VRDNs, the resets for these securities can likely be lower. This was evident in July as the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index fell to 65 bps as a result of strong reinvestment from municipal bond maturities and coupon payments. However, VRDN rates reversed much higher in August, with heavy bond fund settlements and weak relative ratios versus taxable securities as the most likely catalysts for redemptions. Many tax-exempt money market fund managers remain motivated to buy only the shortest investment options, which has led to a significant liquidity premium. It is noteworthy that at times the spread between VRDNs with a daily put versus a weekly put has approached 60 bps. Despite short-term issuance that continues to be well below prior years, yields on one-year notes rose nearly 125 bps during Q3. We viewed this dramatic increase as sufficiently compelling and extended the Fund's weighted average maturity in late September.

What near-term considerations will affect fund management?

In the coming quarters, we anticipate yields to rise significantly as the Fed continues its inflation-fighting campaign. We anticipate yields on non-government securities rising in step with forecasted and realized federal funds rate increases. Industry wide, prime fund yields should increase steadily as managers roll maturities into higher yielding securities and floaters reset in step with rate increase. We will seek to capitalize on investment opportunities that make economic sense based on our market outlook and break-even analysis. We believe 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. With the Fed hawkish, we expect the investment environment for government money market funds to remain attractive to investors. As with the non-government debt, in the coming quarters, government yields should increase steadily as the Fed raises rates and quantitative tightening adds supply. Any large supply changes in Treasury issuance may create some yield volatility on the front end as the forces of supply and demand seek optimization. We will seek value in all asset classes and indexes, incorporating all domestic and global economic market data.

For more information about the portfolio holdings, please visit
https://www.firstamericanfunds.com/index/FundPerformance/PortfolioHoldings.html

Sources

Bloomberg C1A0, CY11, CY21, CY31, G1P0, ICE Bond, JOLTTOTL, NFP TCH, PCE CYOY, US0003M, USUETOT and USURTOT Indices

Bloomberg, U.S. Economic Forecast

Bloomberg, U.S. Treasury Actives Curve

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.
Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care.
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.
Gross Domestic Product (GDP) is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.
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.
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.
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.

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.