Investment Outlook and Equity Strategy

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Presentation To:

Sit Mutual Funds Private Clients
The Minneapolis Club
Minneapolis, Minnesota

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Sit Investment Associates
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Key Points to Highlight

I. Current fundamentals support at least modest 2.5% - 3.5% economic growth in the U.S. and globally over the next couple of years (Page 2).

II. We are positive on the equity market and think there could be continued appreciation in 2018 and 2019 (Page 23).

III. Market volatility will likely continue as investors try to determine if stronger growth can occur (Page 35).

IV. We are in a stock picker's market. Strong fundamentals and quality earnings are needed for stock price appreciation and for sustaining price appreciation (Page 41).

V. Our equity investment strategy is a diversified, "barbell" portfolio that focuses on potential beneficiaries from President Trump's themes and less cyclical, largely developed markets focused growth stocks. The "barbell" strategy is appropriate due to the likely "fits and starts" in response to both progress and delays in Washington and global macroeconomic conditions (Page 45).

Current Fundamentals

I. Current fundamentals support at least modest 2.5% - 3.5% economic growth in the U.S. and globally over the next couple of years.

- Worldwide synchronized economic expansion is occurring. Euroland growth (while modest) is experiencing material expansion in Germany, and the rest of the continent is starting to contribute. Japan is improving slightly, helped by the weak yen. China growth appears to have stabilized with much government assistance. U.K. growth has held up; however, is still uncertain due to Brexit.

- The U.S. has been growing in a modest and subdued manner of approximately 2.0%-2.5%. Tax reform and other pro-growth presidential actions—deregulation, repatriation of corporate cash, and infrastructure spending—have paved the way for stronger future growth. Policy headwinds include: potential trade wars, strengthening U.S. dollar, and immigration. The bi-partisan spending deal could help growth in the near term, but be a drag in the long run.

- Inflation fears could lead to anticipated or more aggressive interest rate increases and reduction of quantitative easing. This in-turn could lead to economic slowdown or even stagflation.

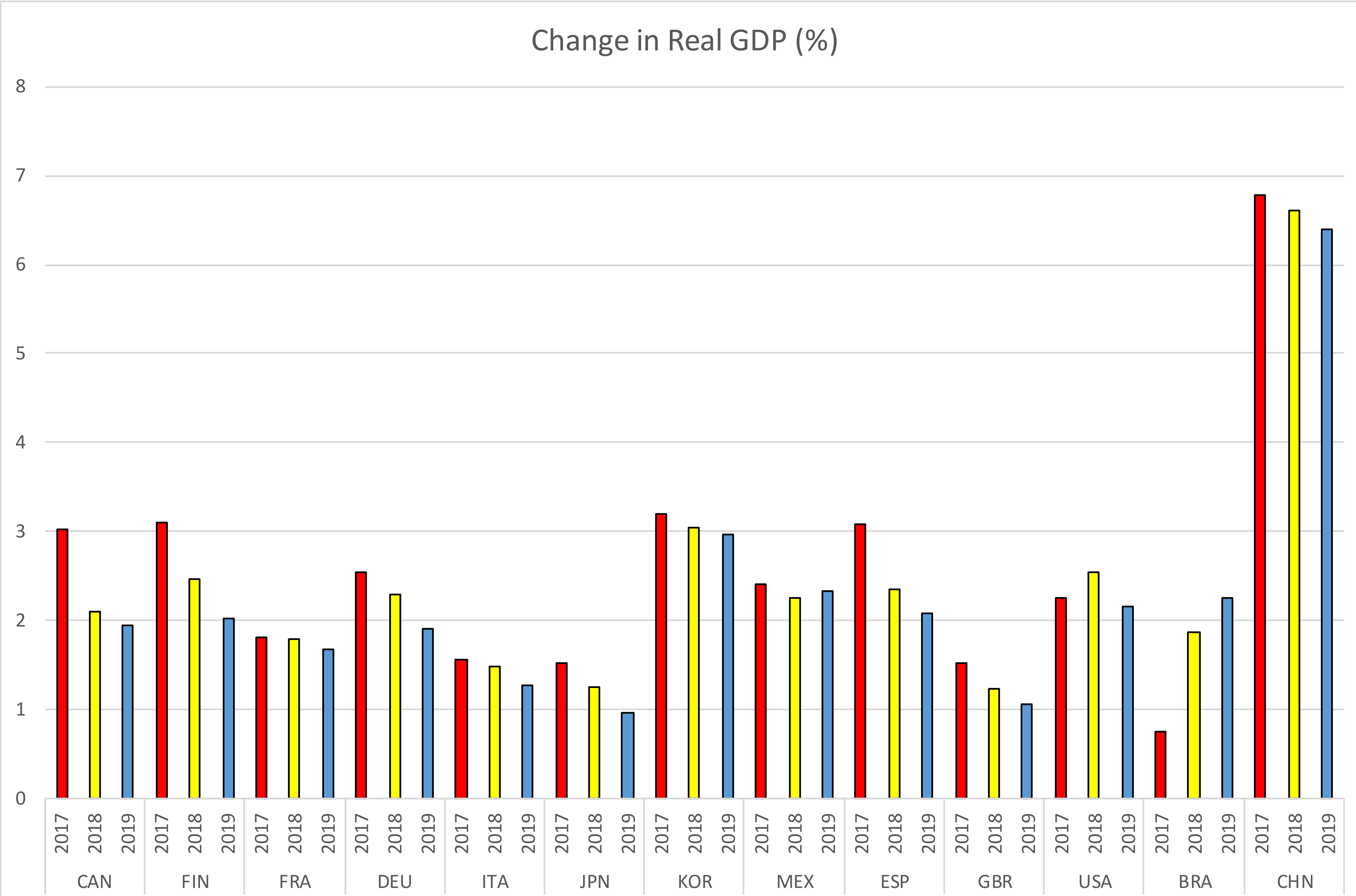
- We think monetary policies outside the U.S. will continue to be favorable. In the U.S., we believe the Federal Reserve will gradually become less accommodative.

Global Economic Assumptions

	GDP GROWTH				INFLATION			
	2016A	2017E	2018E	2016-2020 (5 Yr CAGR)	2016A	2017E	2018E	2016-2020 (5 Yr AVG)
Global Economy	**2.6%**	**3.2%**	**3.1%**	**3.0%**	**1.9%**	**2.3%**	**2.5%**	**2.3%**
United States	1.5	2.3	2.7	2.3	1.3	2.1	2.6	2.2
Euro Area	1.8	2.4	2.2	2.2	0.2	1.6	1.8	1.4
United Kingdom	1.8	1.8	1.4	1.6	0.7	2.6	2.5	2.2
Japan	0.9	1.7	1.0	1.1	(0.1)	0.5	0.5	0.4
Asia Ex Japan	6.0	6.4	5.9	6.0	2.3	2.1	2.4	2.3
Latin America	(1.1)	1.2	2.5	1.5	10.5	8.5	8.0	8.6

Sources: Bloomberg, Merrill Lynch, Sit Investment Associates, Inc. 5/1/18

World's Major Economies are Growing



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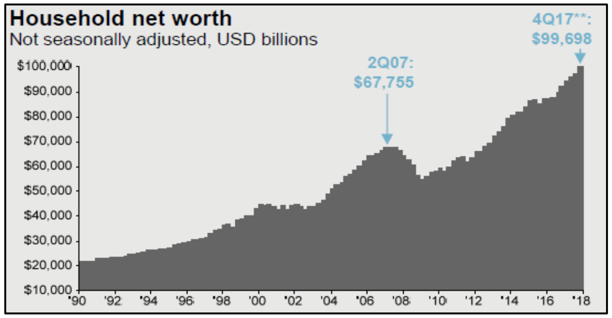
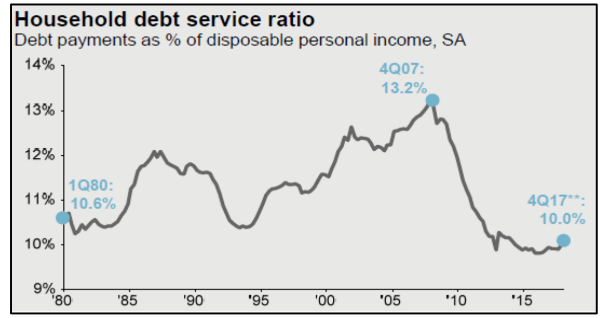
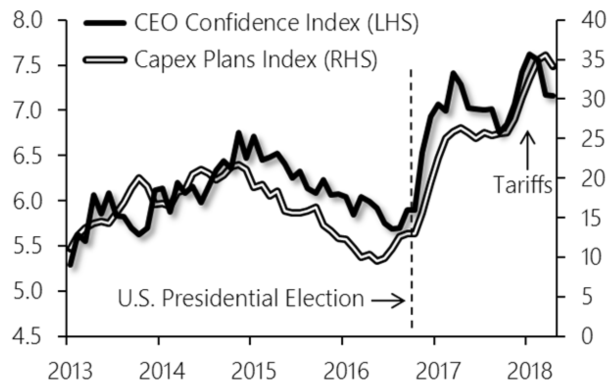
Source: OECD & Sit Investment Associates, Inc. 5/15/18

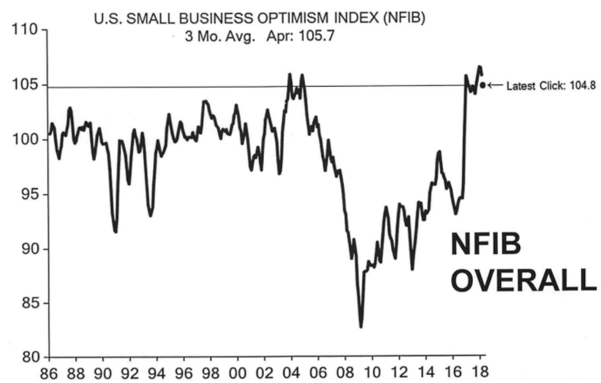
U.S. Data Solid

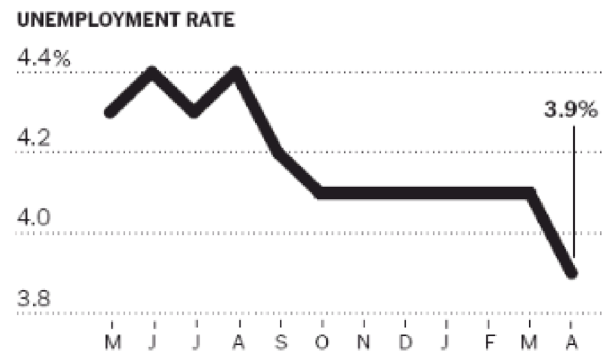


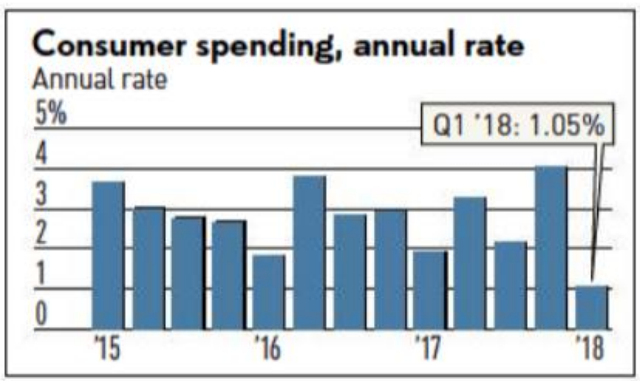


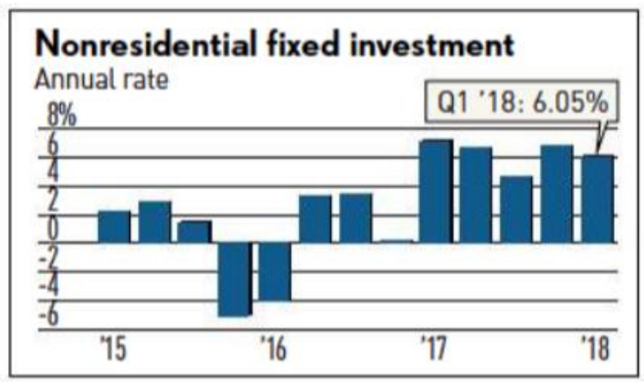
**3Q17 and 4Q17 figures for debt service and 4Q17 figure for net worth are J.P. Morgan Asset Management estimates.





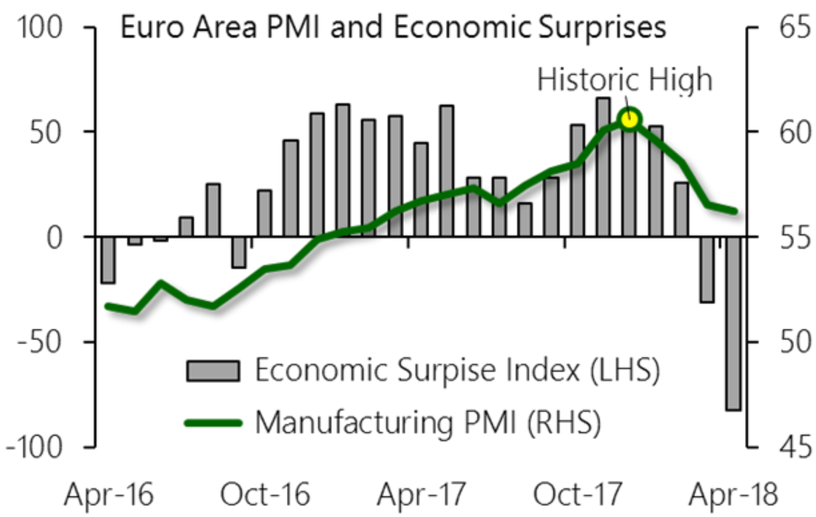


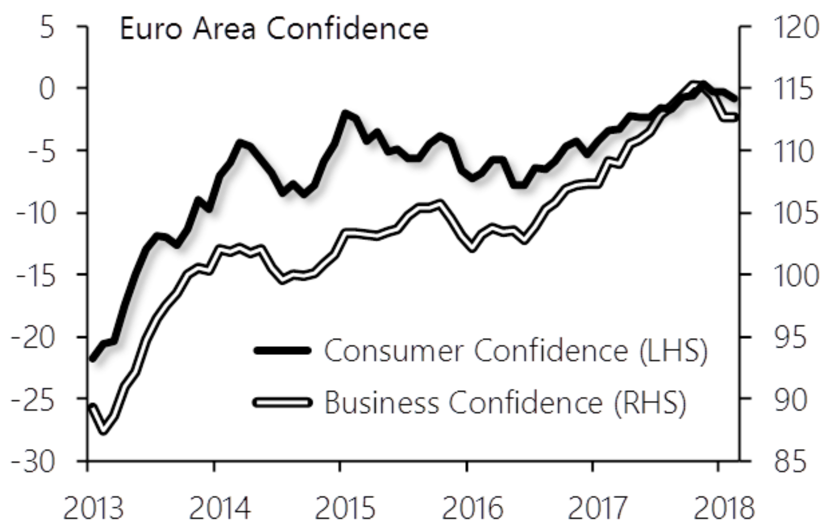


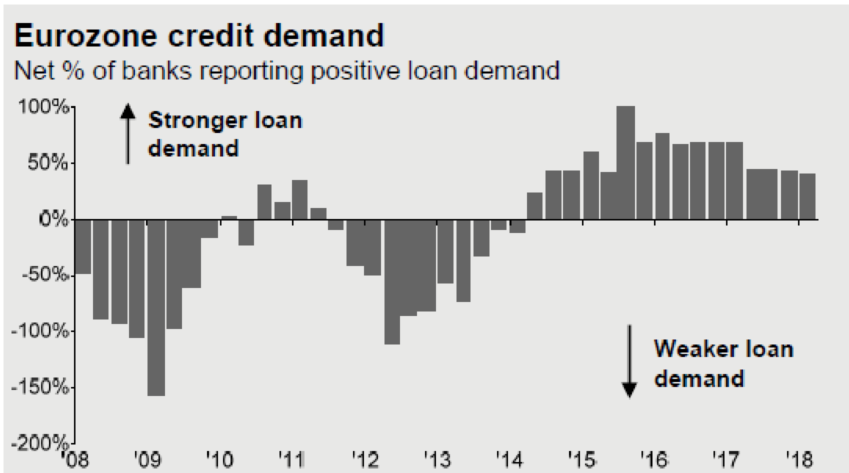


Sources: J.P. Morgan 12/31/17, The New York Times 5/5/18, Fed Banks, Sit Investment Associates, Inc. 5/15/18, Evercore ISI 5/8/18, Investors Business Daily 4/30/18

Eurozone Indicators Improving Modestly

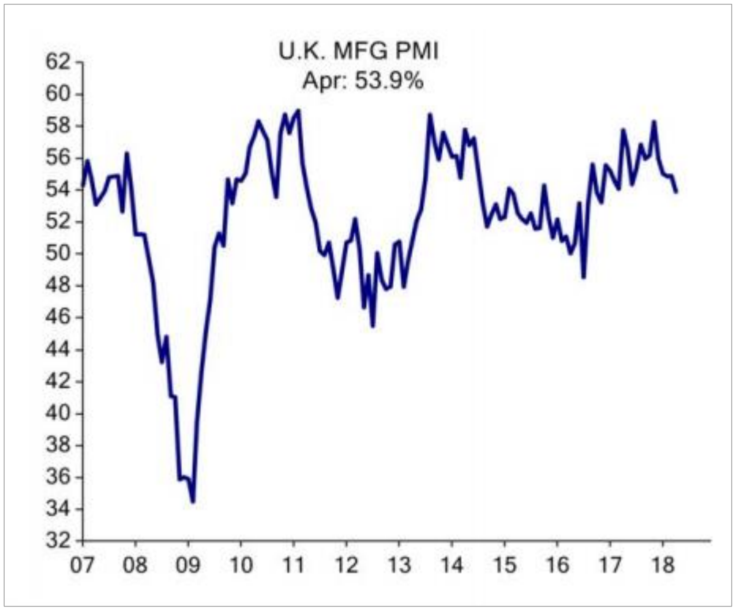


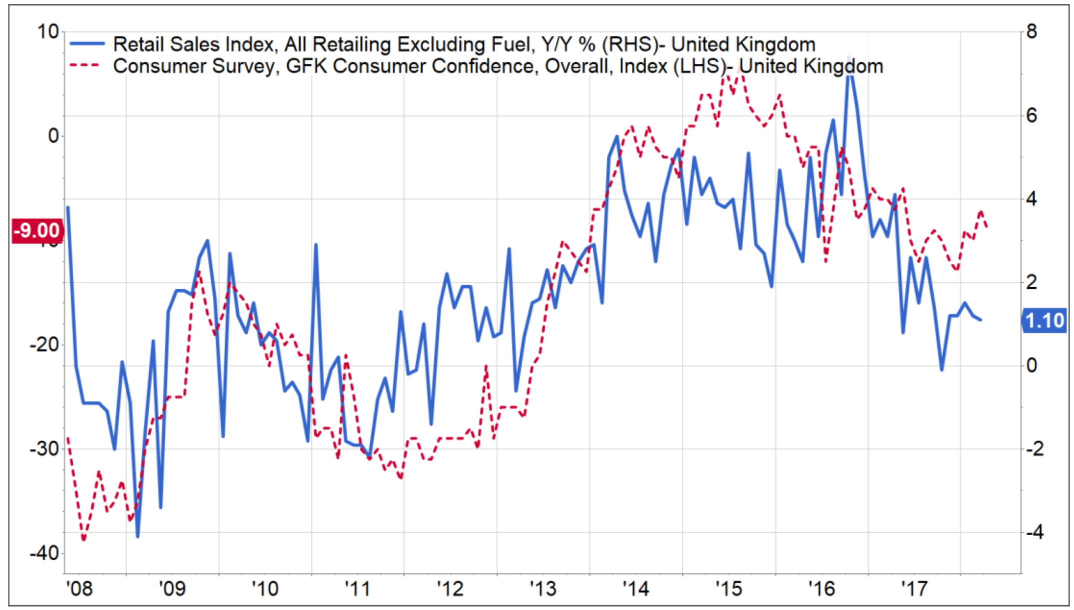




Source: Market, Eurostat, Sit Investment Advisors, Inc. 5/15/18 & JP Morgan 4/3/18

U.K Economy Impacted by Brexit





Negotiating phase

The main areas up for discussion:

- Terms of the transition
- Separation terms
- Future status of Northern Ireland
- Framework for future UK-EU relationship

Deadline Autumn 2018

Ratification phase

- Approval by 72 per cent of member states
- Consent vote by European Parliament
- UK parliament passes bill implementing withdrawal treaty
- Both sides notify that UK remains part of 750 EU international agreements

Deadline UK's exit from EU on March 29 2019

Transition phase

- Formal trade talks begin
- UK seeks to replace 750 EU international deals
- Both sides prepare new immigration/customs/ regulatory systems
- Political accord on partnership agreement and EU parliament approval
- European elections in May 2019

Deadline End of transition period, Dec 31 2020

Beyond

- Provisional application of trade agreement
- Regulatory assessments for equivalence/mutual recognition
- Implementation of phase-in provisions in new partnership
- Ratification of agreement in up to 40 national parliaments
- UK elections by May 5 2022

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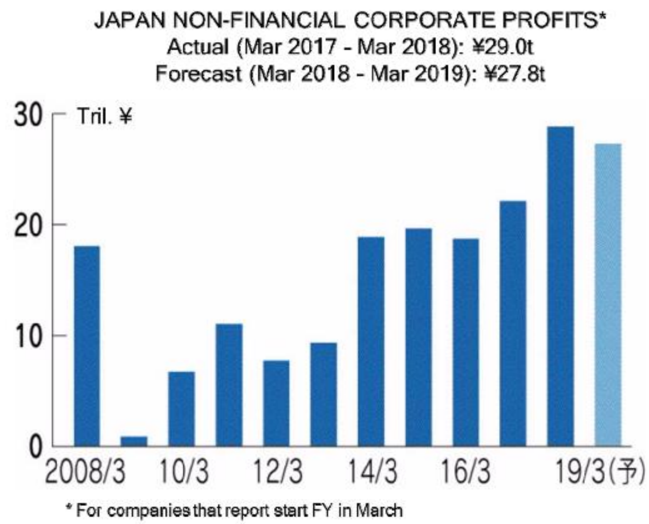
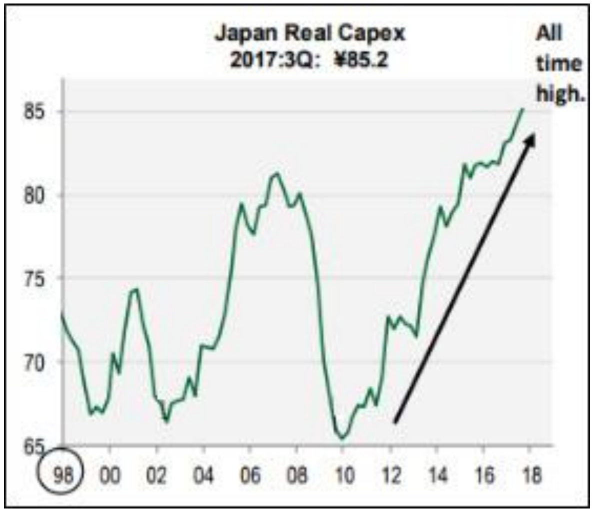
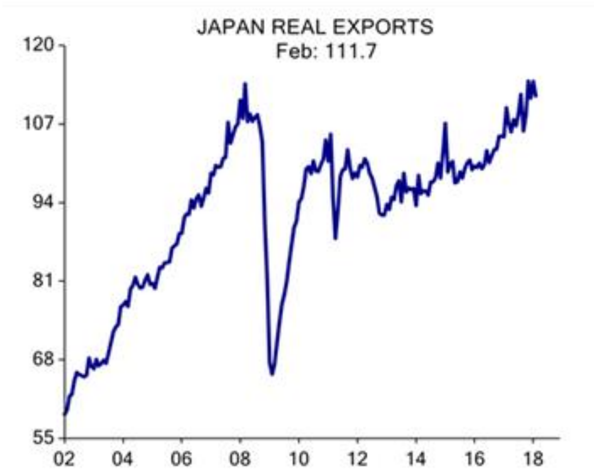
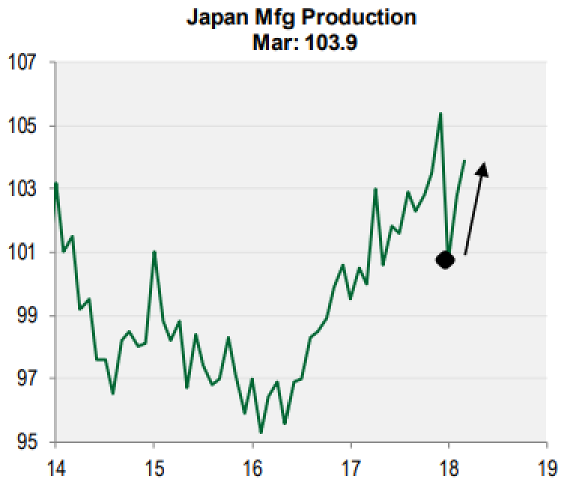
Sources: Factset Research Systems and Sit Investment Associates, Inc. 5/15/18, Evercore ISI 5/1/18, Institute for Government & Sit Investment Associates, Inc. 9/30/17 & Financial Times 3/29/18

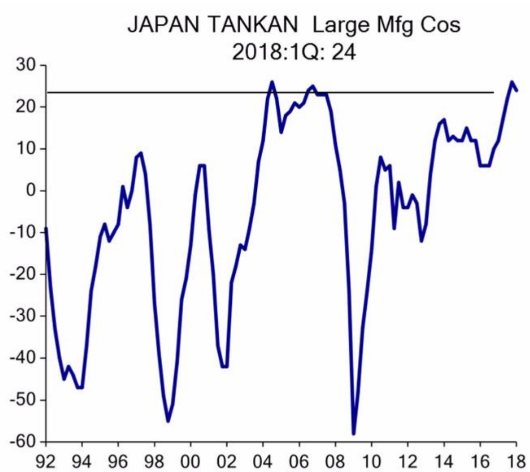
Japan Improving











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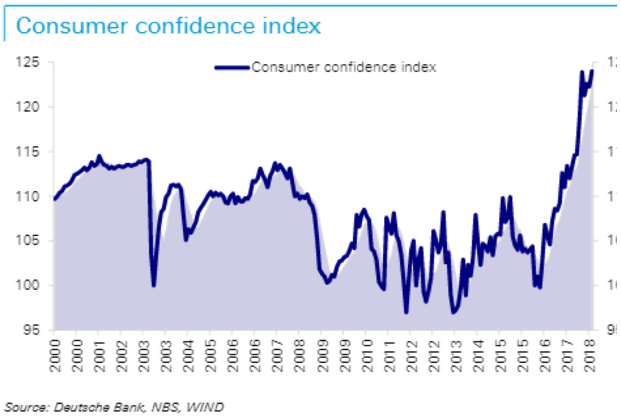
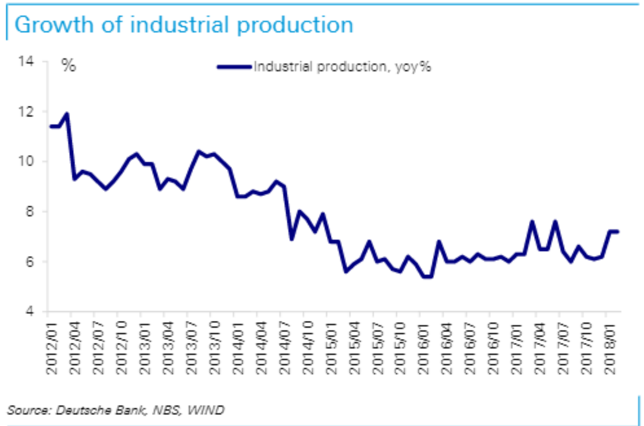
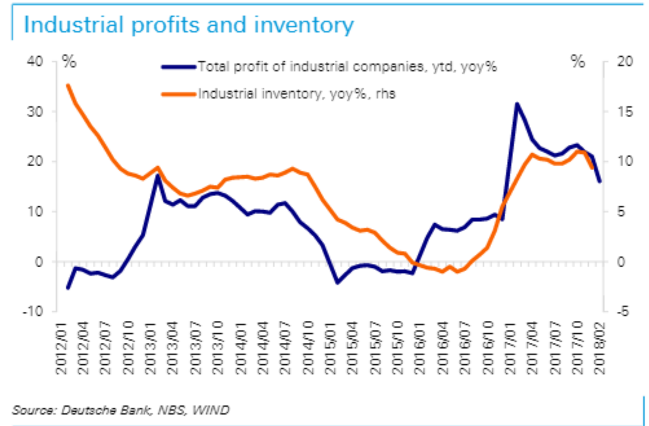
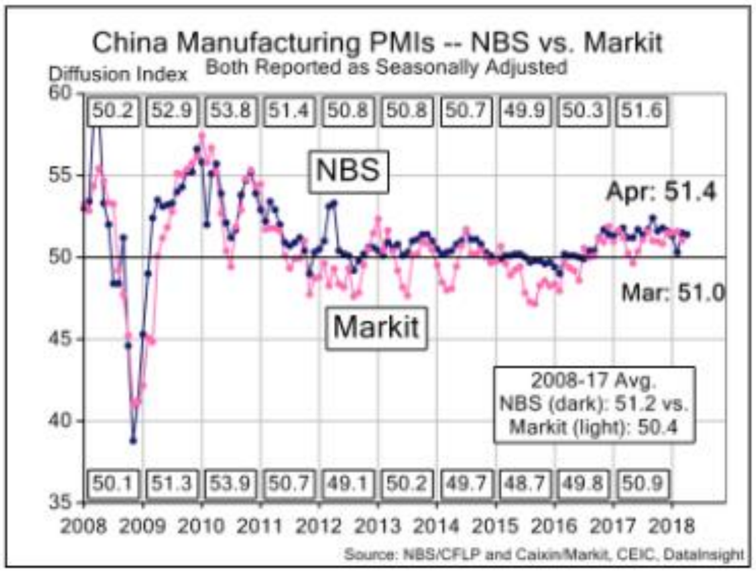
Sources: Evercore ISI 5/13/18, The Wall Street Journal 2/5/18, Cornerstone Macro 5/8/18 & 1/9/18

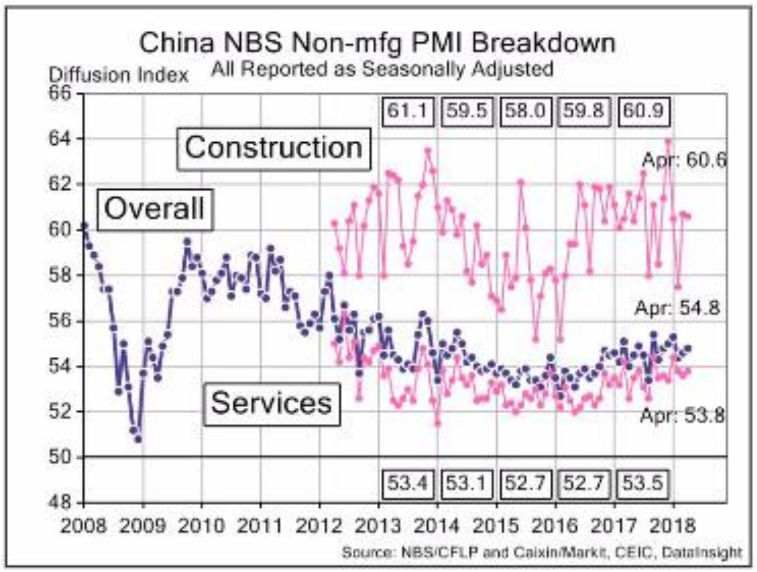
China Growth Stabilized, but More Moderate











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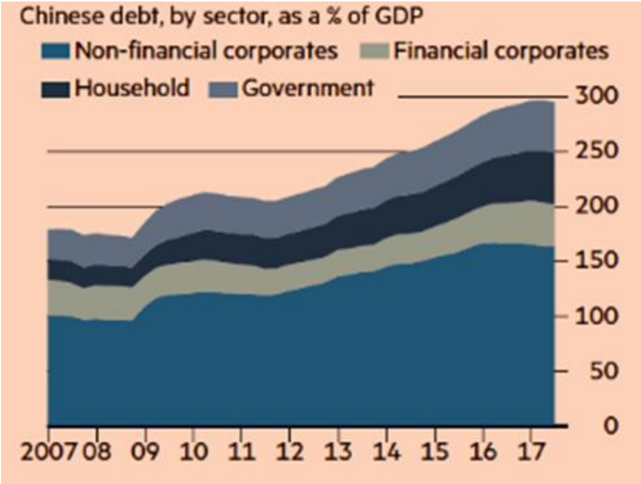
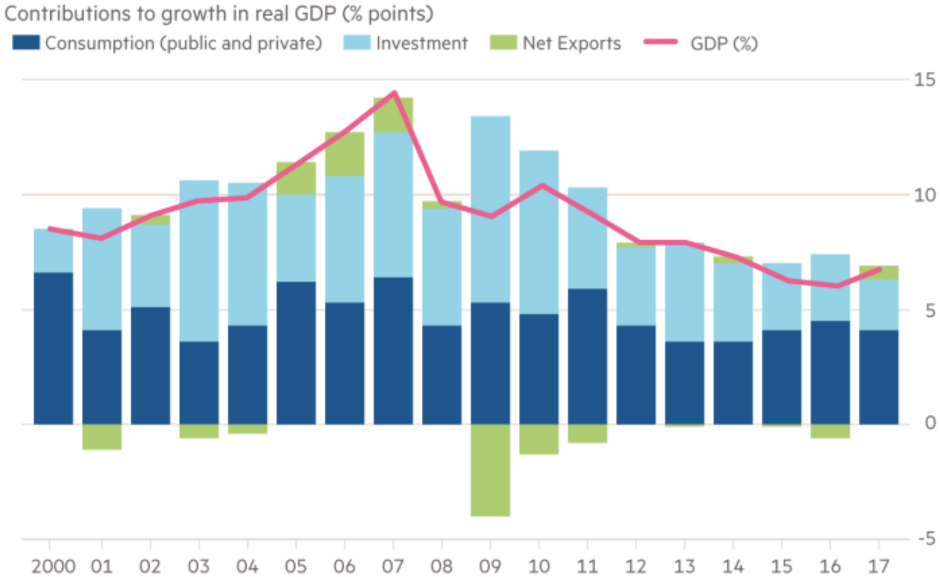
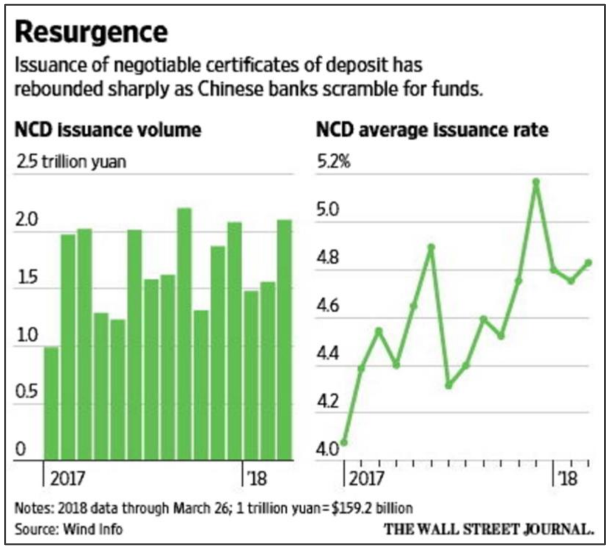
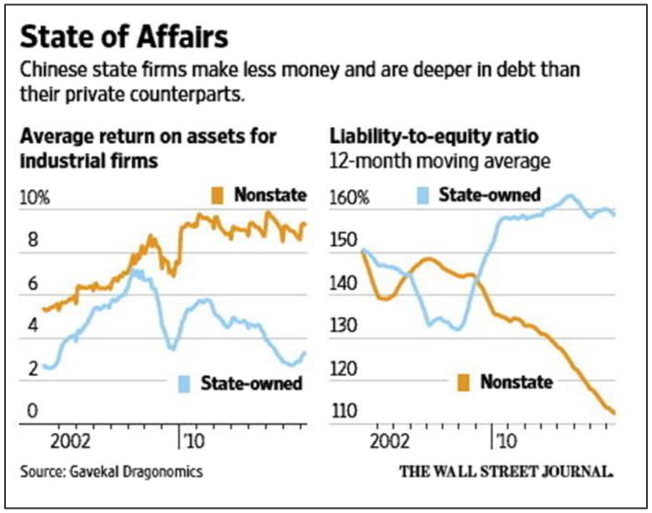
Source: Deutsche Bank Research & Evercore ISI 5/1/18

China is Rebalancing, but There are Risks









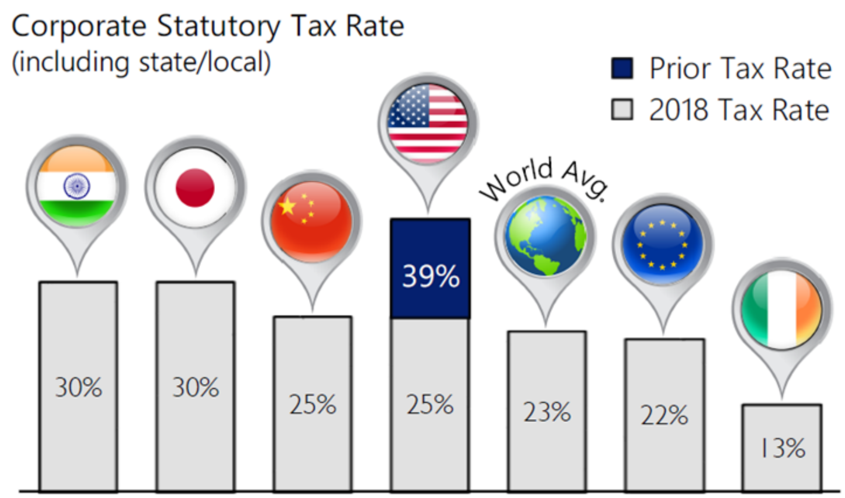
Sources: The Wall Street Journal 1/23/18, 2/27/18 & 3/28/18 & The Financial Times 4/4/18

Corporate Changes

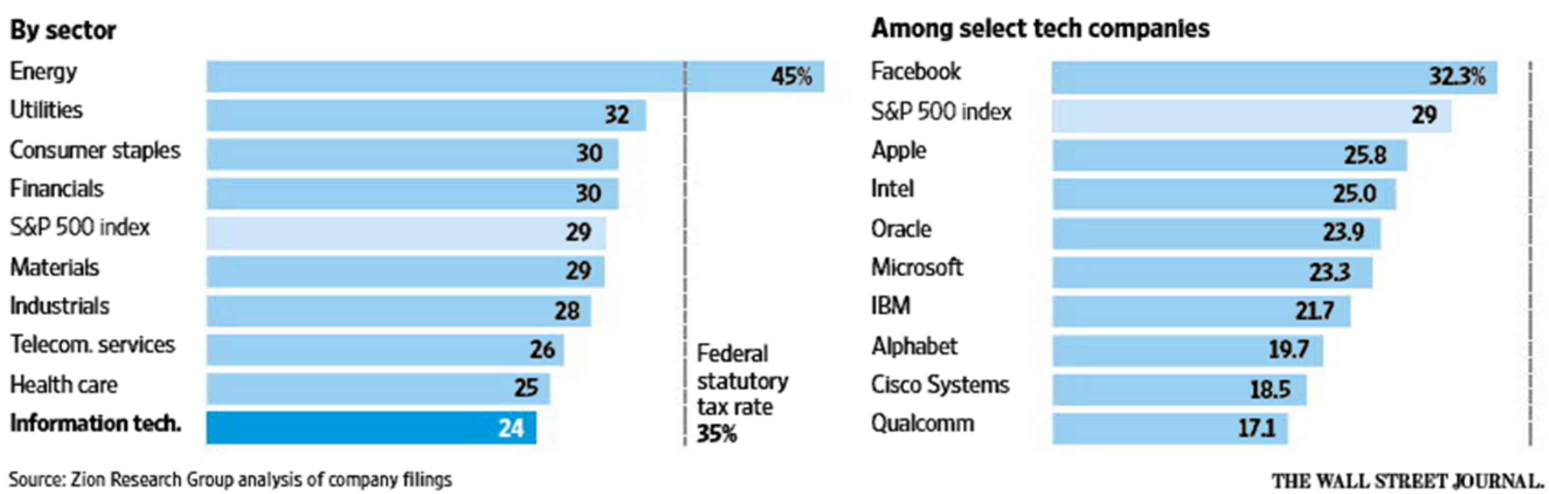
Corporate Rate (Federal)	21%
Worldwide vs. Territorial	Territorial
Capital Expenditures/ Full Expensing	100% Expensing Through 2022 80% in 2023 60% in 2024 40% in 2025 20% in 2026 0% thereafter
Interest Deduction	Limited to 30% of adj. taxable income (~EBITDA through 2021/EBIT after), carryforward of disallowed deduction for 5 years
Net Operating Losses	Capped NOL usage to 80% of taxable income, unlimited/ indefinite carryforward
Corporate AMT	Eliminates
Other	Eliminate most other expenditures, keep R&D credit
International/ Repatriation	Cash and equivalents taxed at 15.5%. Other earnings and profits at 8%
Patent Box (FDII)	13.125% tax earnings from U.S. patents used overseas

Source: Raymond James 12/12/17 & Bernstein Research LLC 1/16/18

Competitive U.S. Corporate Tax Rate



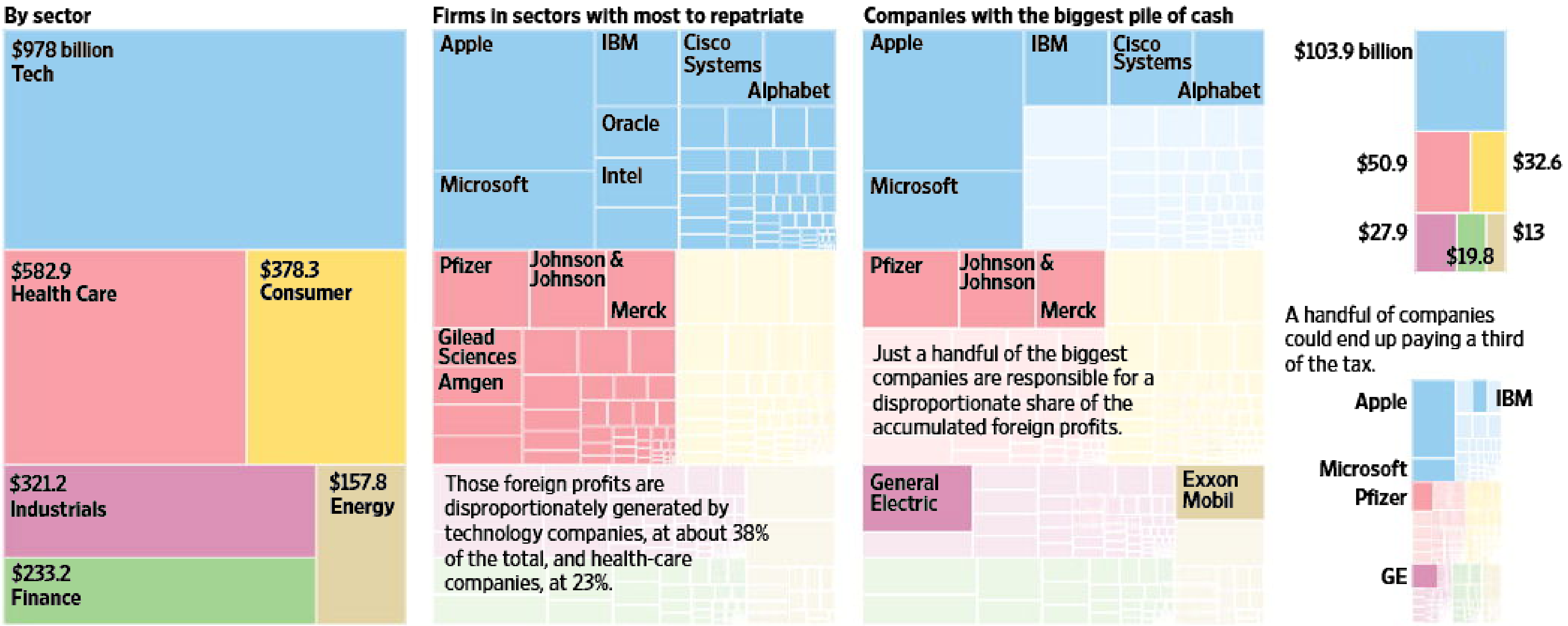
Average U.S. Effective Tax Rates (2007-2016)



Corporate Cash: Bringing it All Back Home

Who Has Money Overseas? 311 companies in a Wall Street Journal analysis reported more than **$2.5 trillion** in unremitted foreign profits at the end of their most recent fiscal years. The U.S. government expects $339 billion in taxes from repatriated profits over a decade from all companies.

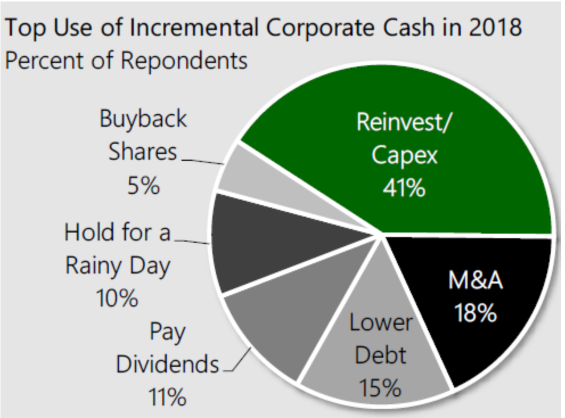
How Much Will They Pay? The 311 companies could pay nearly **$250 billion** in taxes.

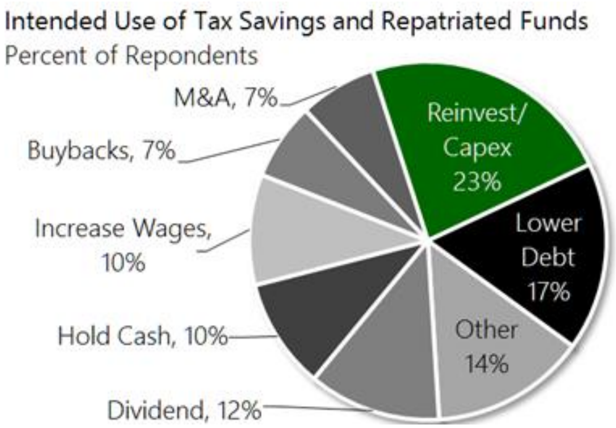


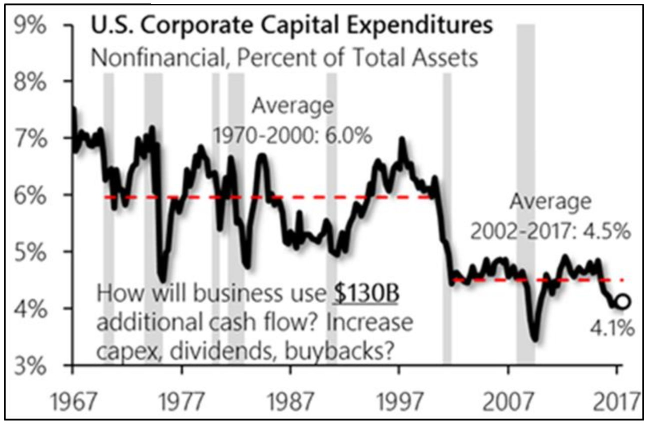
Methodology/sources: Journal estimates of repatriation-tax obligations used securities disclosures, partly collected by financial-data firm Calcbench, with some conservative assumptions. For 311 S&P 500 companies that have recently disclosed unremitted foreign earnings, the Journal used 2017 figures where available, and 2016 otherwise. For Apple, the Journal used a separate figure reflecting cash held by foreign subsidiaries, which exceeded the company's unremitted foreign earnings; this can happen where a company has booked a U.S. tax obligation for financial-reporting purposes but hasn't yet brought the cash to the U.S. The Journal assumed foreign profits would be held in liquid and illiquid assets at about the same proportion as each company's total assets. That split was used to apply tax rates of 15.5% for liquid assets and 8% for other assets. Publicly disclosed figures for unremitted foreign profits can differ substantially from the generally undisclosed one used for tax purposes in any given year, but over many years, a large company's accumulated foreign profits for accounting purposes are likely to be close to profits as calculated for tax purposes, tax experts say. Companies will get some credit for foreign taxes paid on the amounts, and will be allowed to offset foreign profits with some foreign losses.

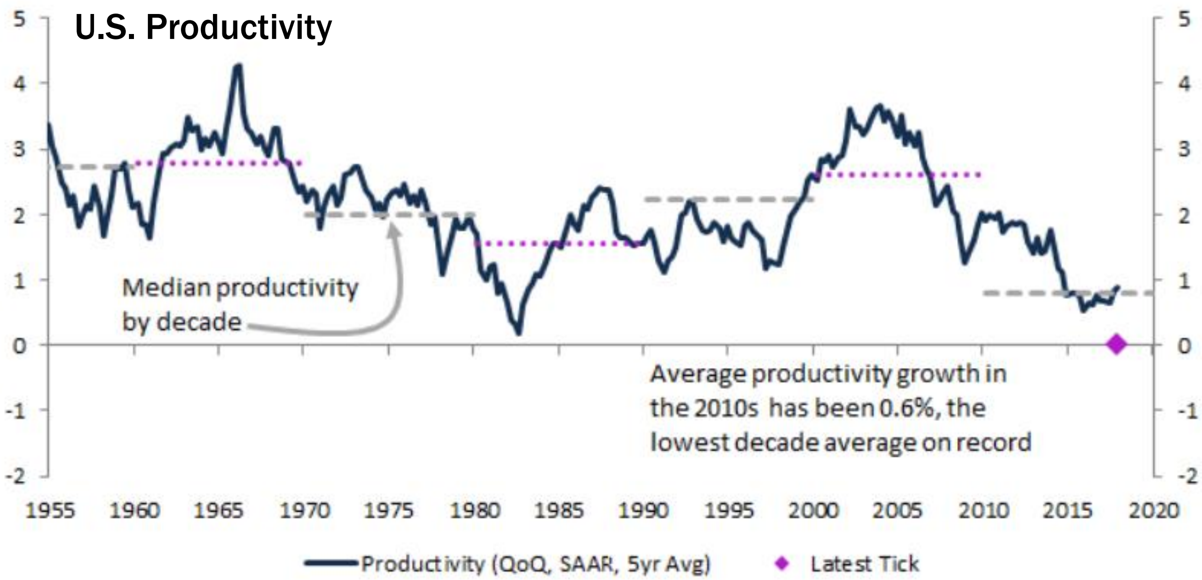
THE WALL STREET JOURNAL.

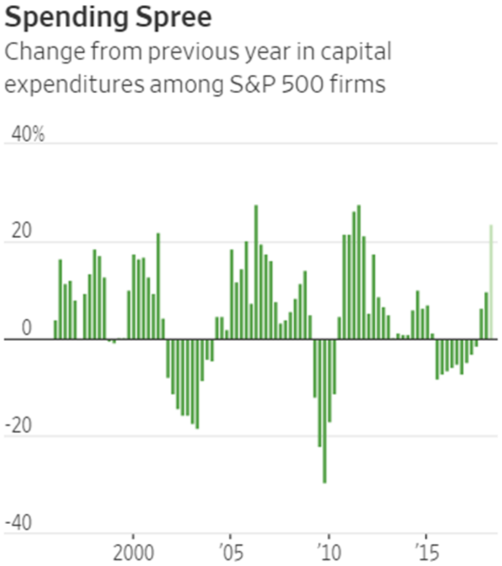
Capital Spending is a Top Priority







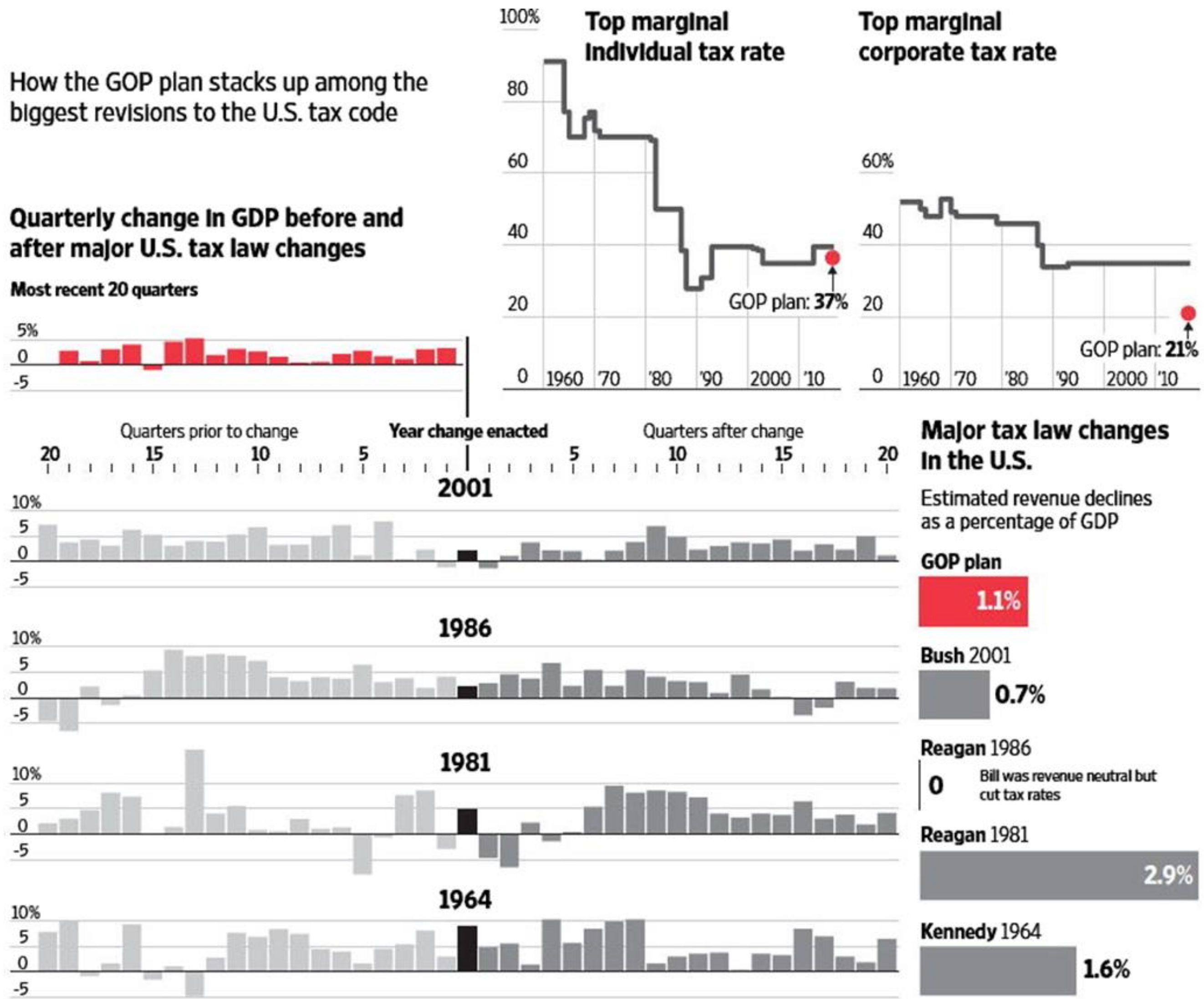




Note: Data for the first quarter of 2018 is preliminary.
Source: Credit Suisse

Sources: Evercore ISI & Sit Investment Associates, Inc. 11/16/17, 1/16/18 & 3/8/18; Wolfe Research 1/22/18; BCA Research 1/22/18; Federal Reserve and Sit Investment Associates, Inc. 1/31/18

Historical GDP Changes from Tax Law Changes

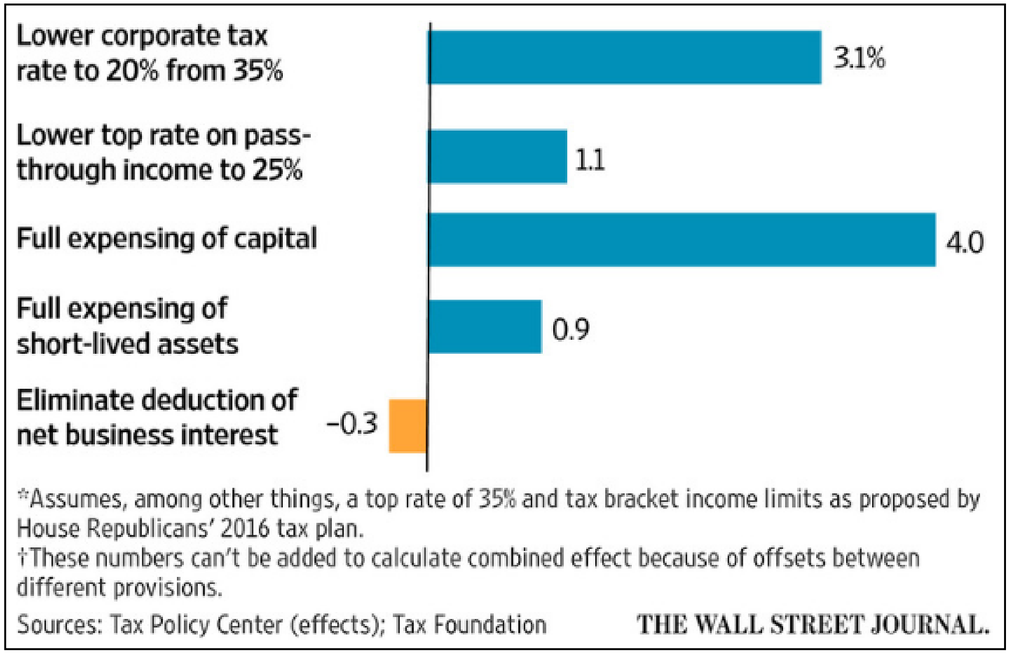


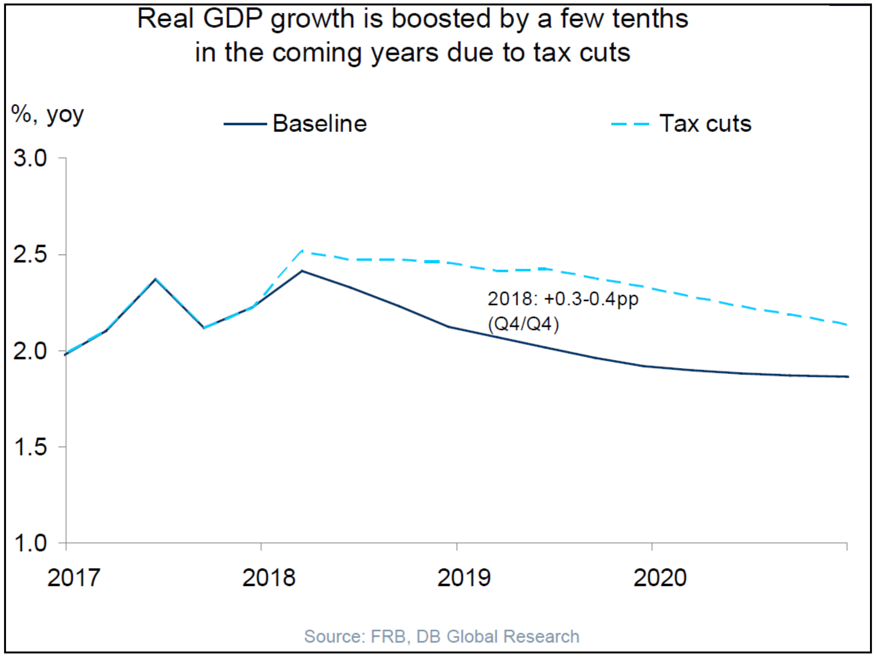
Note: GOP plan estimate is based on Joint Committee on Taxation's revenue estimates. Revenue declines based on average over first four years except 1964, which is based on first two years. President Johnson signed President Kennedy's proposed tax cuts.

Sources: Treasury Department; Joint Committee on Taxation (revenue declines); Commerce Department (GDP); Tax Policy Center (historical rates)

THE WALL STREET JOURNAL.

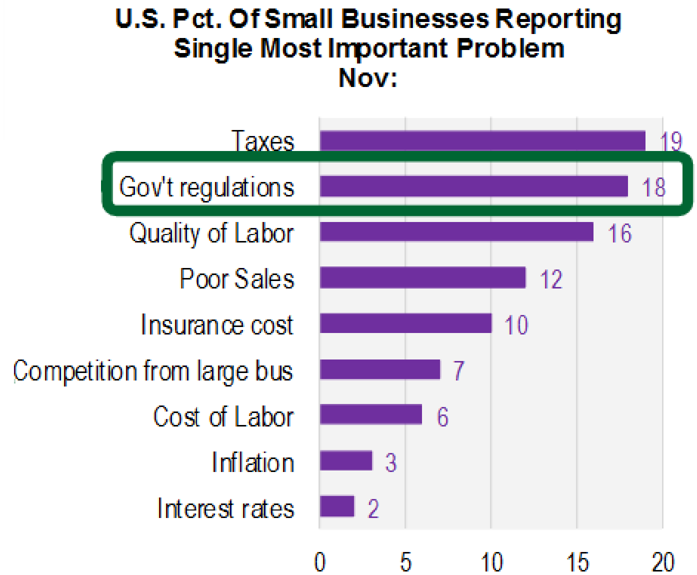
Rise in GDP from Different Tax Proposals

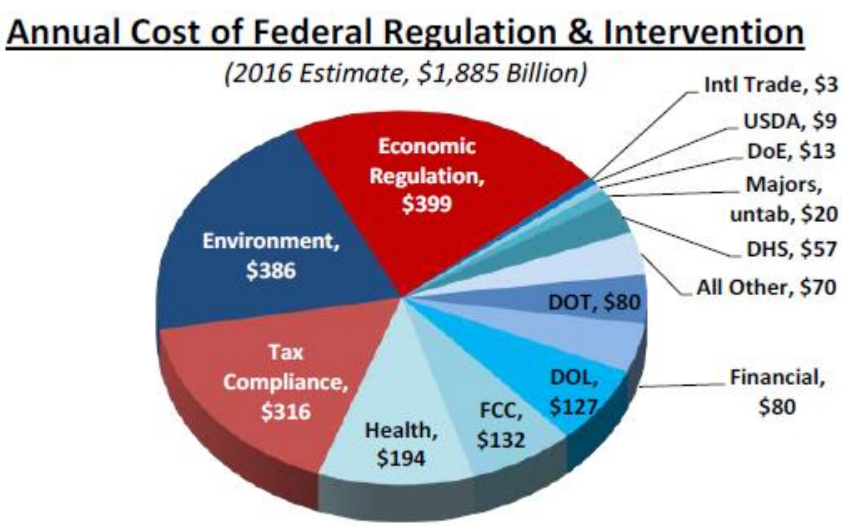




Regulations Hampering Growth

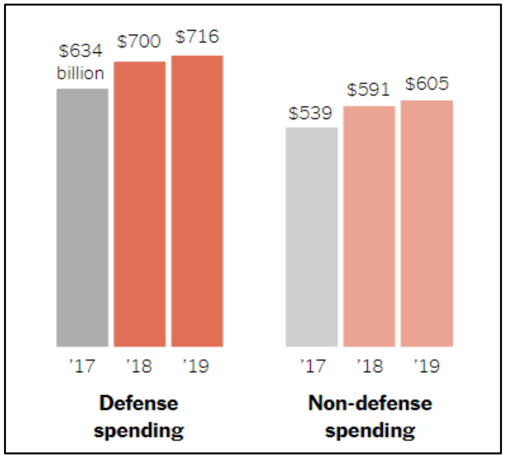
Source: Government Accountability Office, Heritage Foundation. 2015.

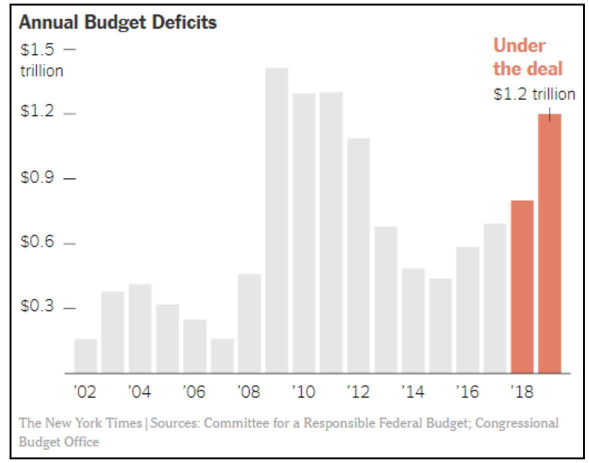


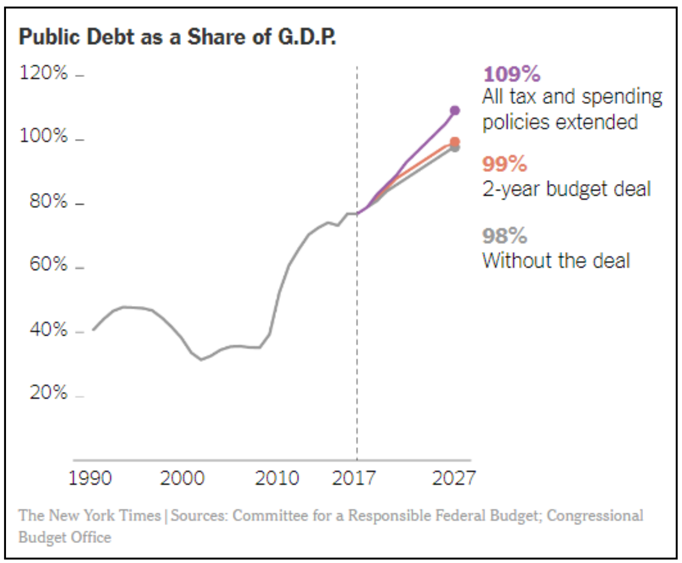


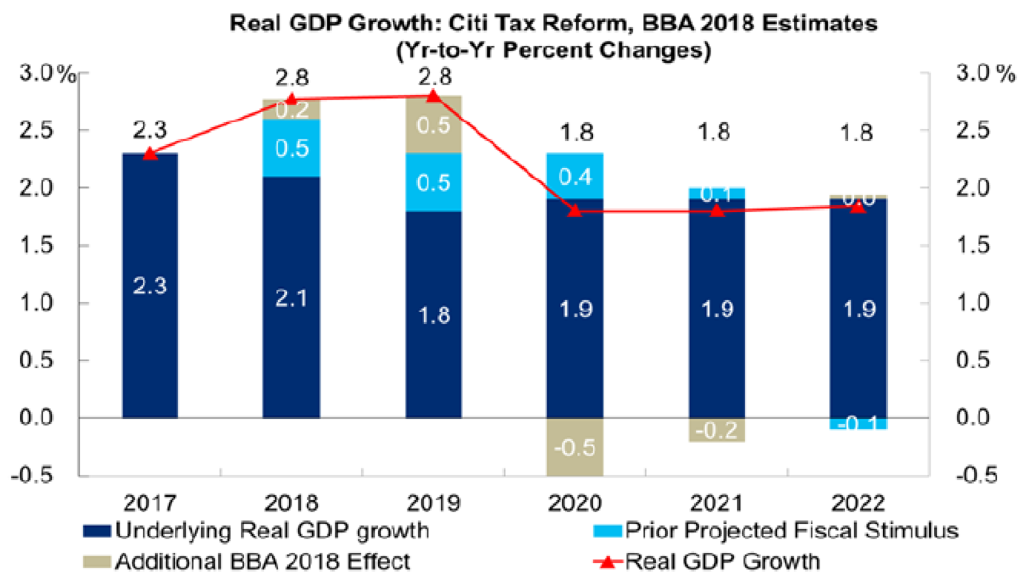
Source: Wolfe Research 12/13/16, NSBA & Sit Investment Associates, Inc. 1/10/17, J.P. Morgan 1/1/18

U.S. Bi-Partisan Spending Plan – Help & Hurt



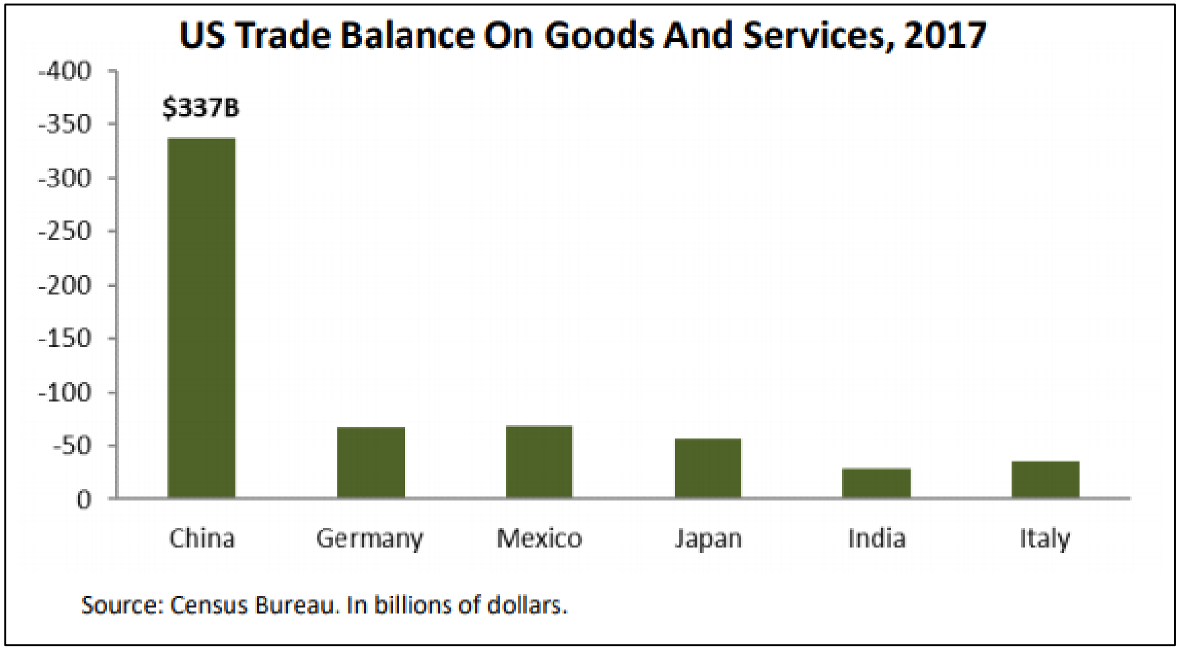


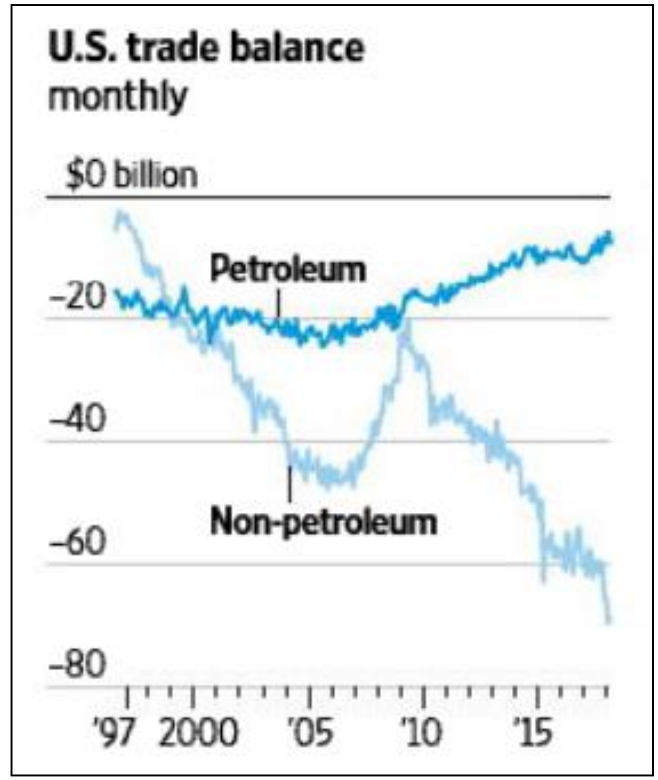




Source: The New York Times 2/9/18 & Citi Research 3/18

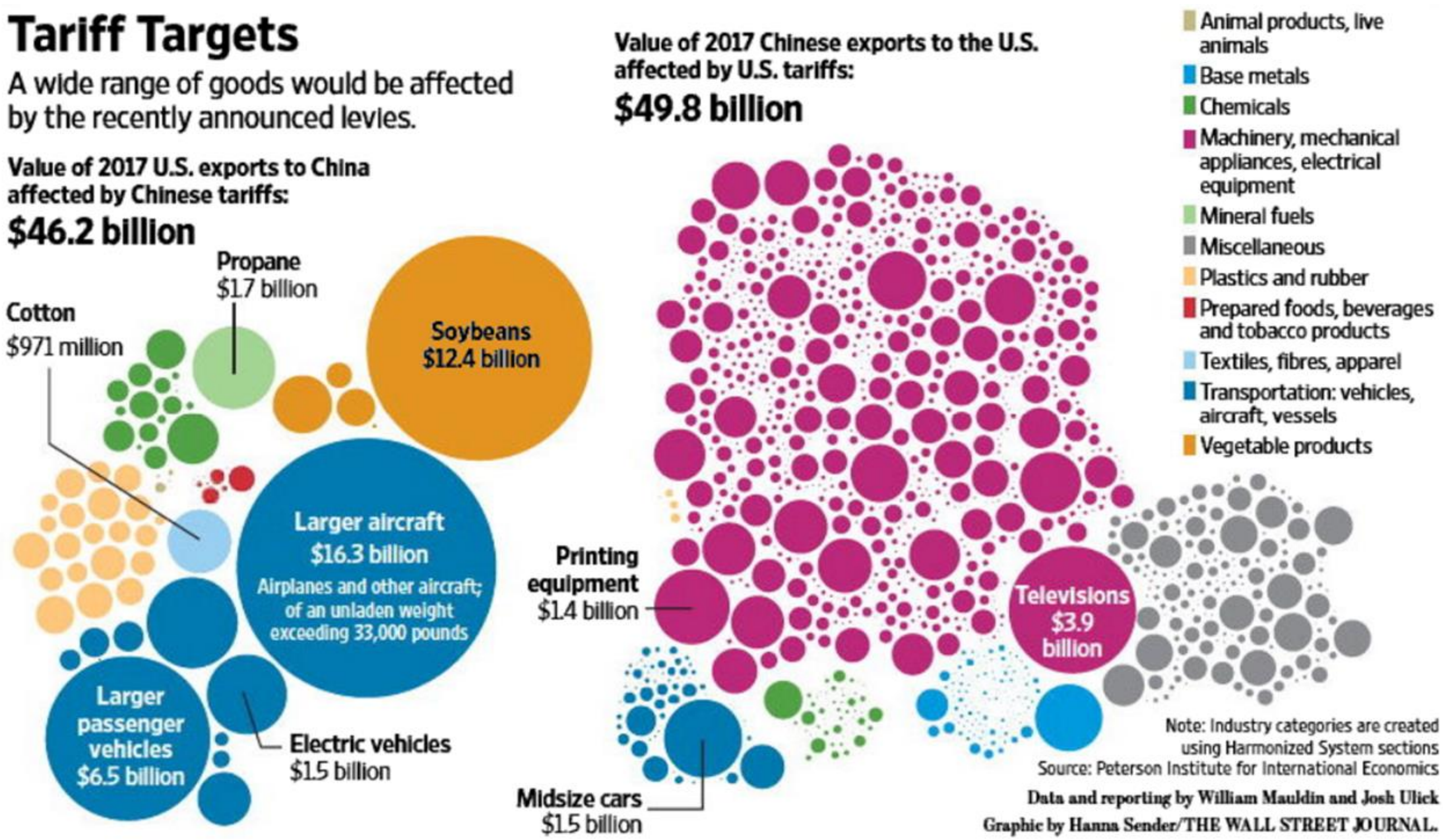
Trade Balance in Focus for the Trump Administration





Source: Cornerstone Macro 3/9/18 & The Wall Street Journal 3/26/18

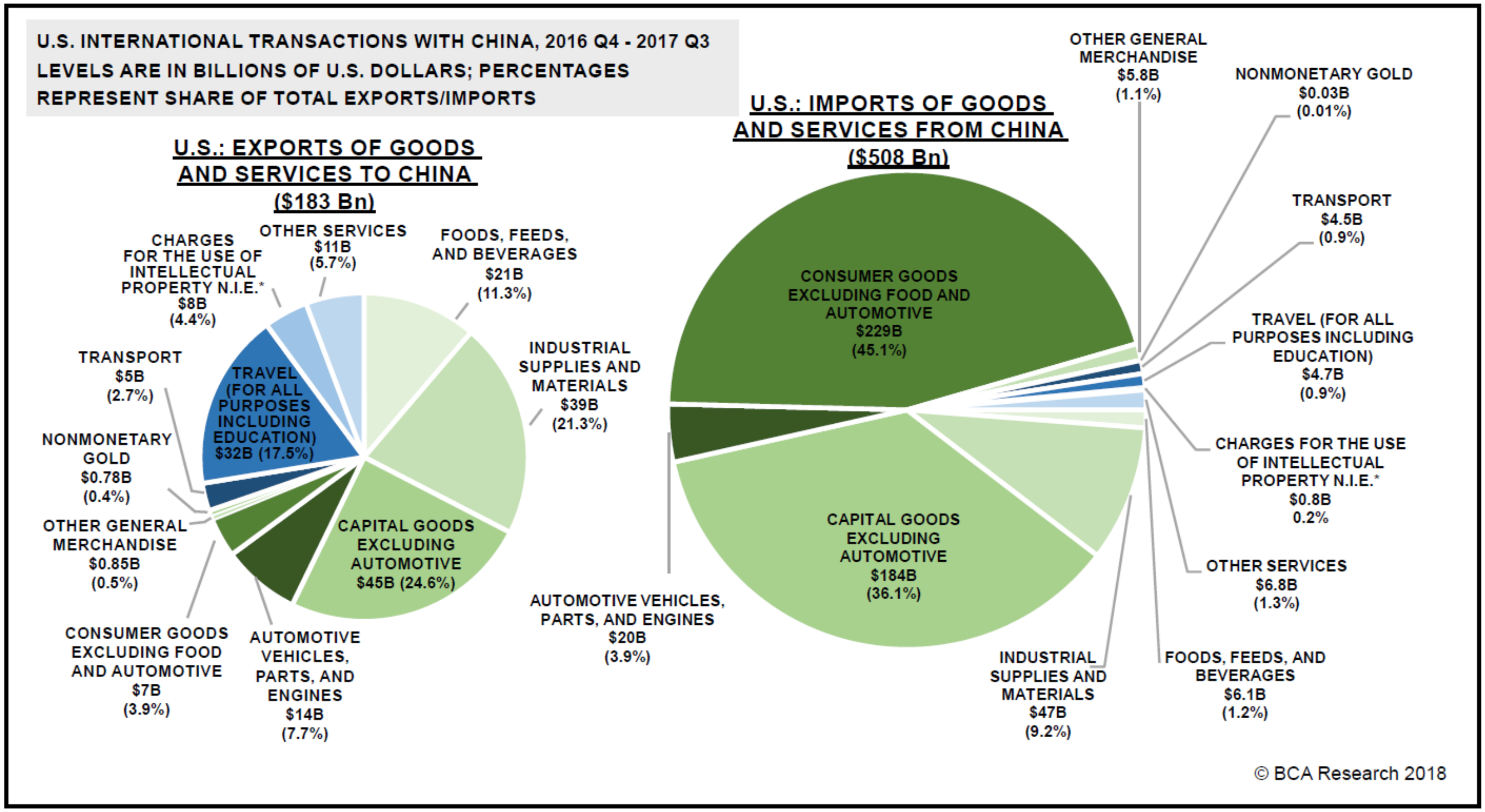
Potential Tariffs Between the U.S. & China



Source: The Wall Street Journal 4/5/18

China Stands to Lose More From a Trade War with U.S.

- **U.S. Imports 2.65% of GDP from China vs. Exports of 0.96% of U.S. GDP to China**
- **Nearly Half of U.S. Exports to China are Agricultural Products & Raw Materials; Could Hurt China Inflation**



* NOT INCLUDED ELSEWHERE.
SOURCE: BUREAU OF ECONOMIC ANALYSIS (BEA). BLUE SHADING REPRESENTS SERVICE SECTOR; GREEN SHADING REPRESENTS GOODS SECTOR.

Source: BCA Research 3/9/18

China's Three Economic Development Regimes

'Strategically Vital Industries' (Dec 06)

ABSOLUTE CONTROL	HEAVYWEIGHTS
• Armaments	• Machinery
• Electric Power	• Autos
• Oil / P'Chem	• Info Tech
• Telecom	• Construction
• Coal	• Iron and Steel
• Aviation	• Non-Ferrous
• Shipping	

donald.straszheim@evercoreisi.com ISI Group

December 2006, **SASAC, the State-owned Assets Supervision & Administration Commission,** identified 13 key industries. Beijing wanted to create an oligopoly of globally dominant SOEs (listed here).

Beijing identified a top level "Absolute Control", and a second level "Heavyweights."

China's State Council in 2011 identified 7 "Emerging Strategic Industries."

China's 7 Emerging Strategic Industries	
1. Energy Conservation & Environmental Protection	4. High-End Equipment Manufacturing
	5. Renewable & Alternative Energy
2. New Information Technology	6. New Materials
3. Bio-industry	7. New Energy Vehicles

"Made in China 2025" – Beijing's List (2015)

- New generation of information technology
- Advanced computer numerical control machine tools, robots
- Aviation and aerospace equipment
- Marine engineering equipment and high-tech ships
- Advanced rail transportation equipment
- Energy-saving and new energy vehicles
- Power equipment
- New materials
- Biomedicine and advanced medical devices
- Agricultural machinery and equipment

Source: Evercore ISI 3/23/18

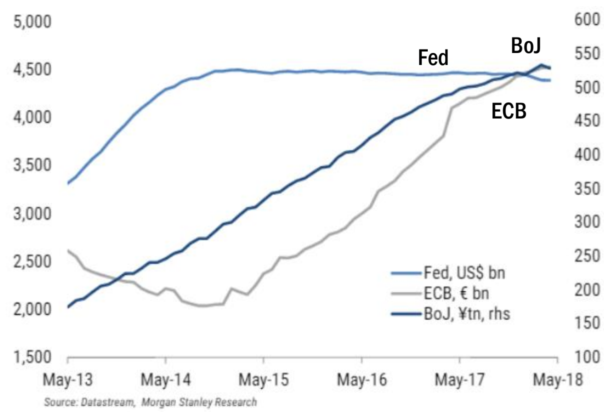
Global Markets

II. We are positive on the equity market and think there could be continued appreciation in 2018 and 2019. The global markets are anticipating "discounting" stronger economic growth, but there could be materially more upside.

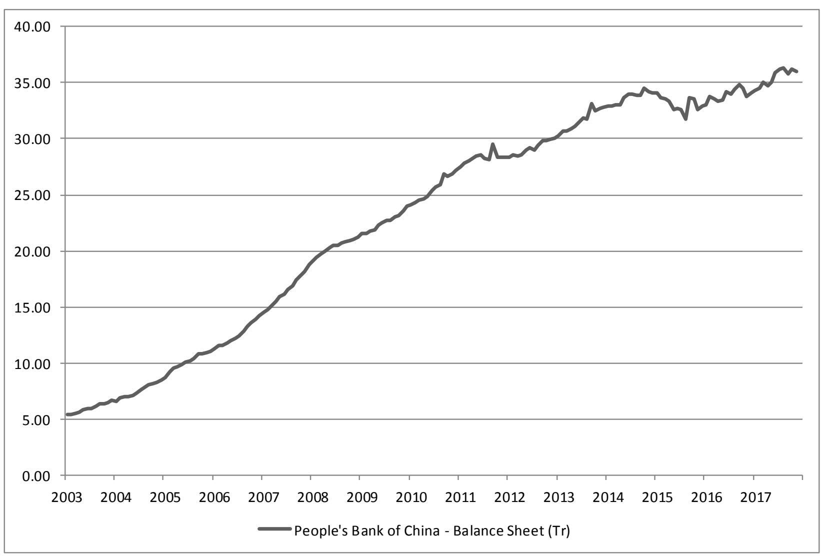
- Monetary policies worldwide are still very accommodative. We do not expect interest rates to increase rapidly.
- Currently, there is a favorable global economic back drop.
- Future benefits from President Trump's policy actions are still very hard to determine due to being in "unchartered" territory. As initiatives are implemented and benefits materialize, corporate earnings growth and shareholder returns could be considerably stronger.
- Valuations to remain attractive.

Easy Monetary Policies in Place to Spur Growth

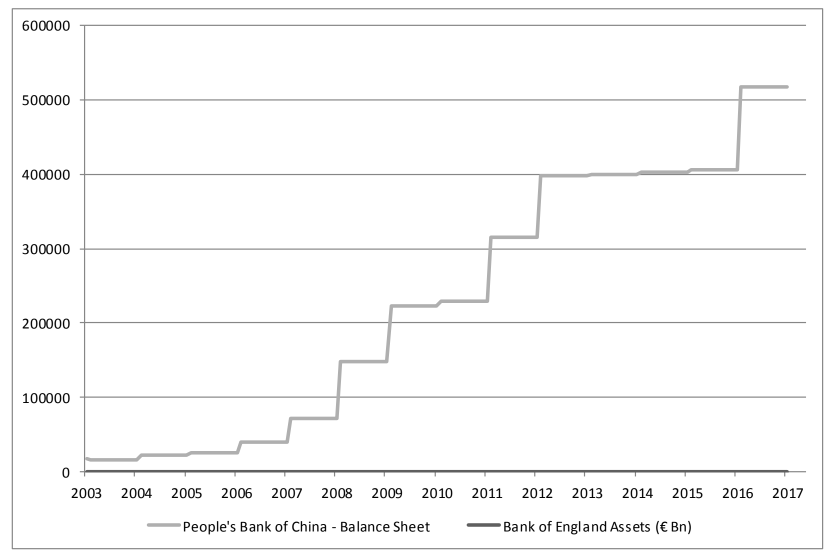
Global Central Bank Balance Sheets



People's Bank Of China Balance Sheet

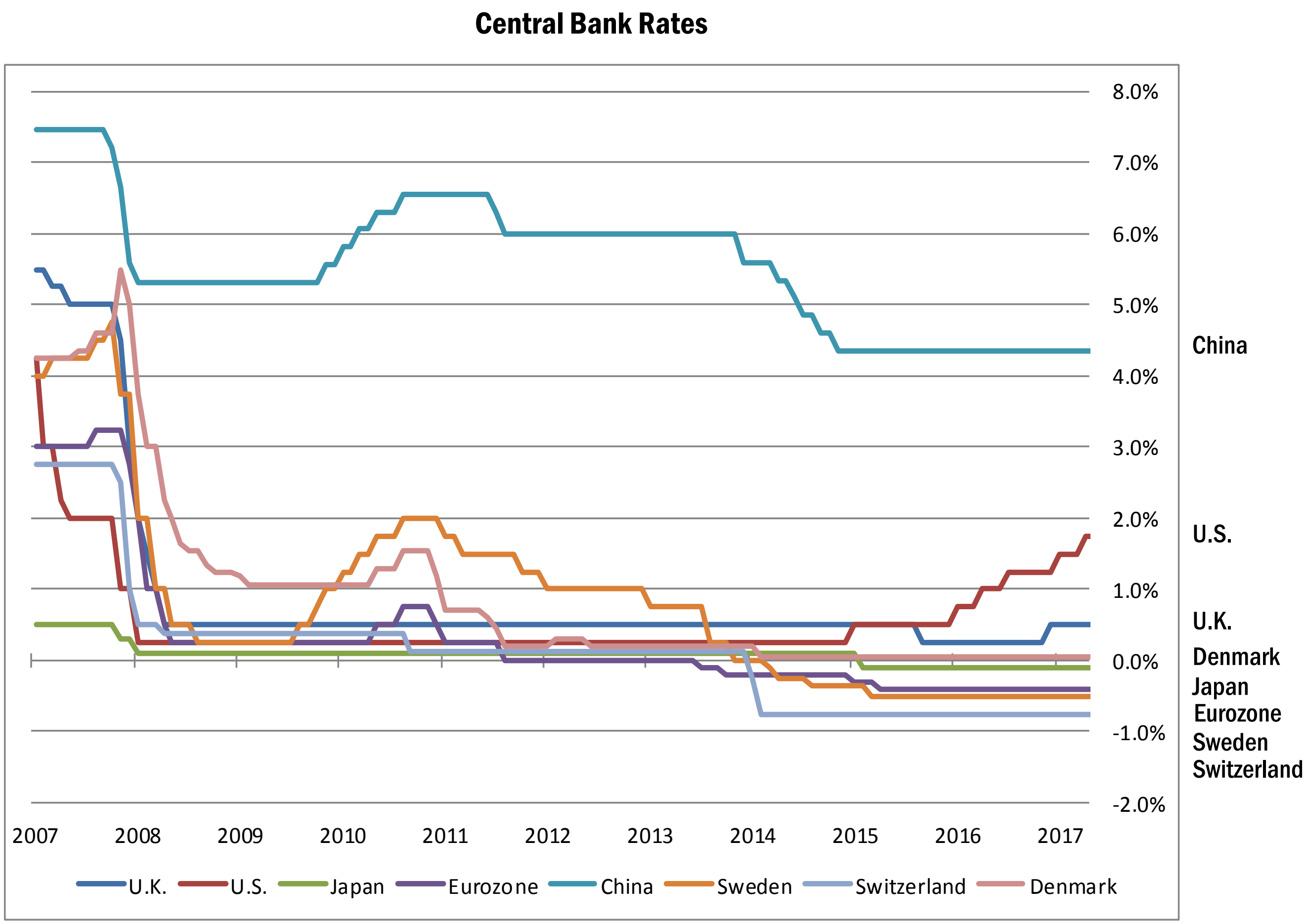


People's Bank of England Balance Sheet



Source: Morgan Stanley Research 5/4/18 & Factset Research Systems 5/15/18

Central Banks Remain Accommodative



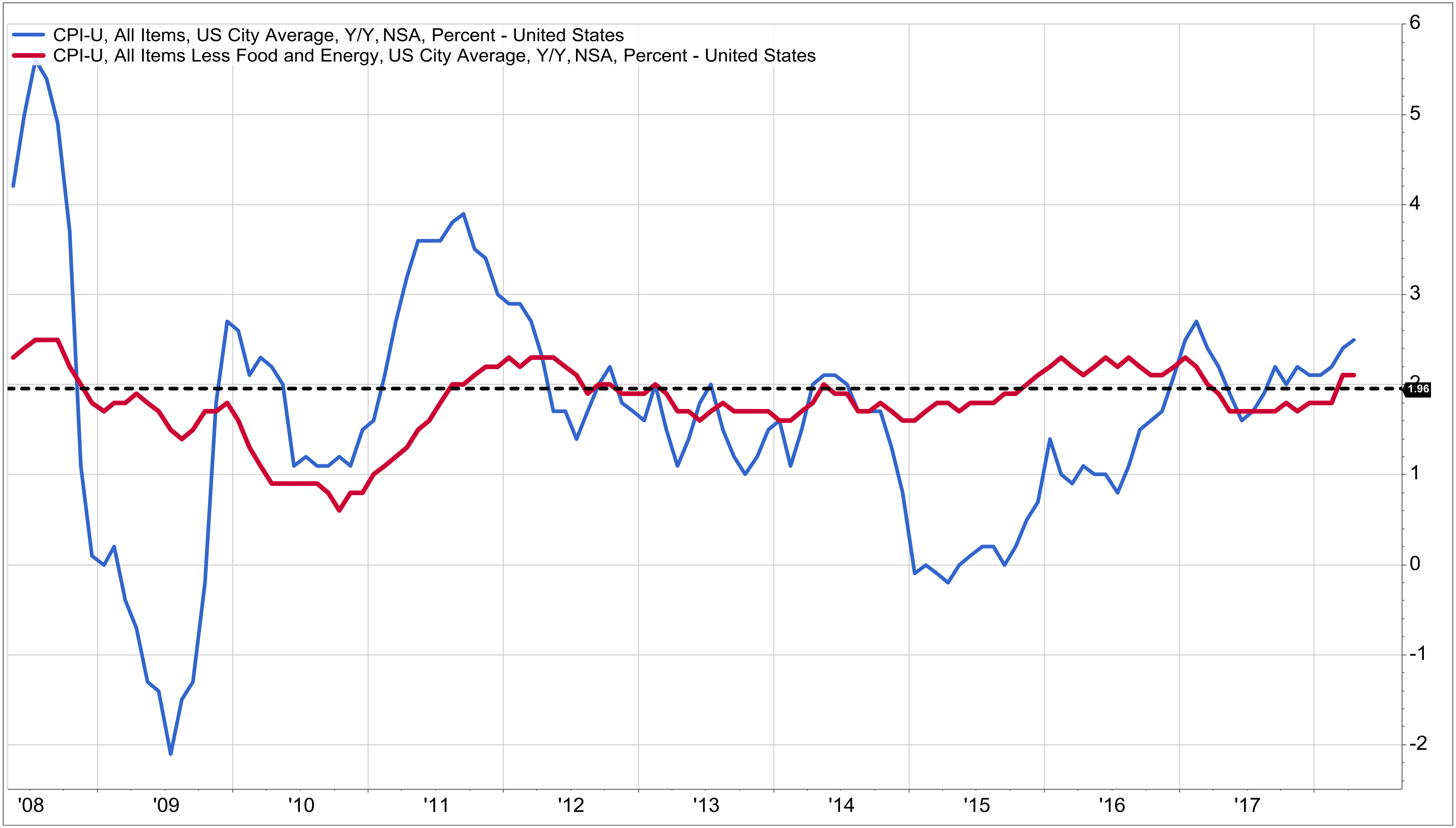
Approximately 24% of global GDP has a negative Central Bank interest rate.

(Eurozone, Japan, Switzerland, and Sweden)

Sit Investment Associates

Source: Factset Research Systems & Sit Investment Associates, Inc. 4/30/18

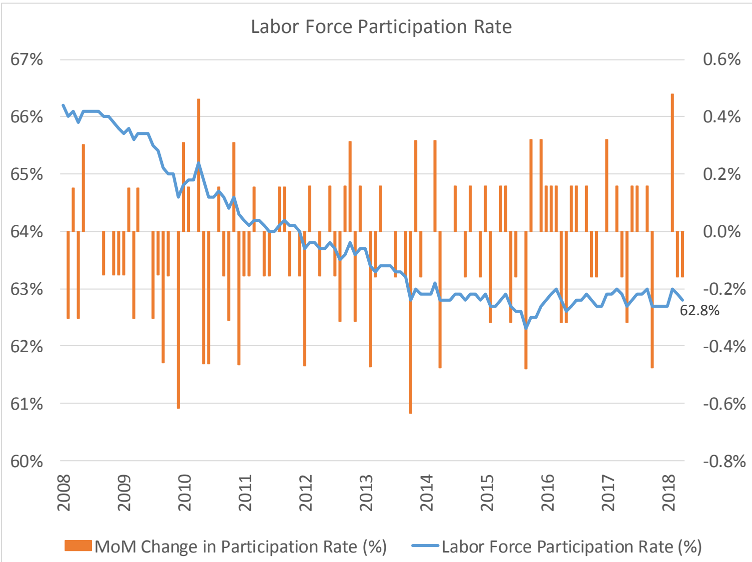
U.S. Inflation Has Been Below the Fed's Target for Years

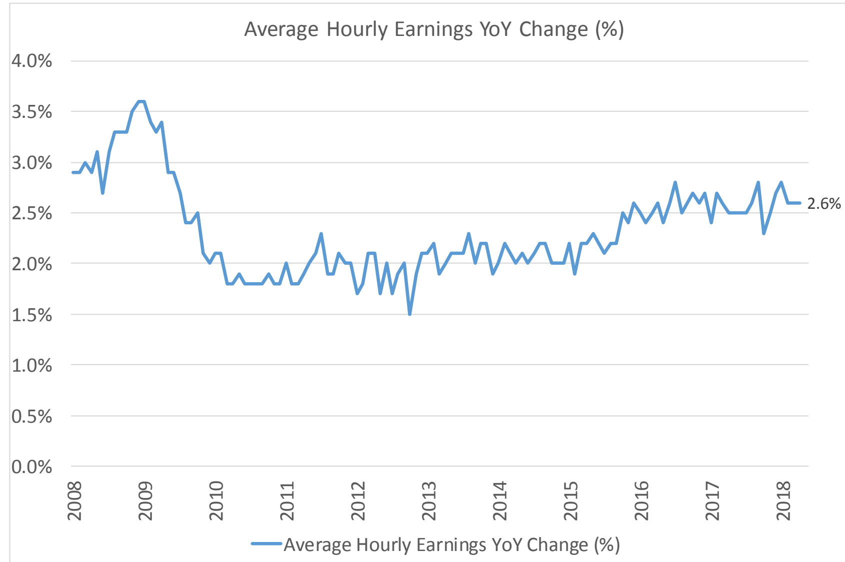


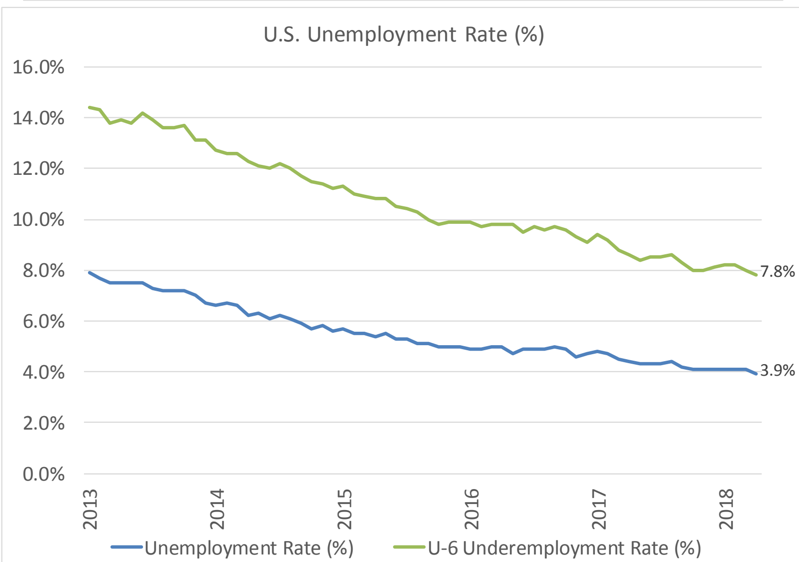
Sit Investment Associates

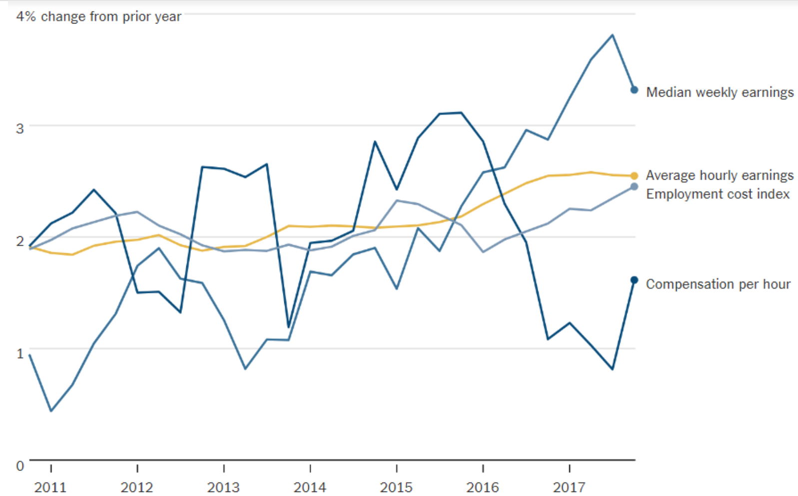
Source: FactSet Research Systems & Sit Investment Associates, Inc. 5/14/18

U.S. Employment Data Not Yet Suggesting Overheating









Measures of wage growth have diverged sharply in recent years, making it hard to know how pay is responding amid a tightening labor market.

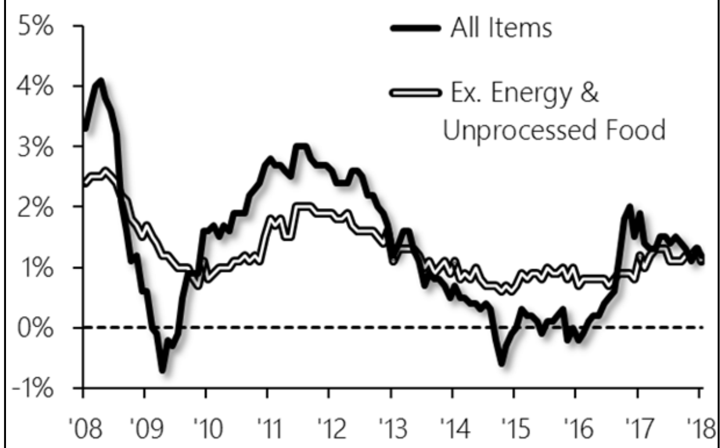
Note: Data is shown as a 12-month (for monthly data) or four-quarter (for quarterly data) rolling average. Source: Federal Reserve Bank of St. Louis.

Sit Investment Associates

Source: Bureau of Labor Statistics & Sit Investment Associates, Inc. 5/15/18

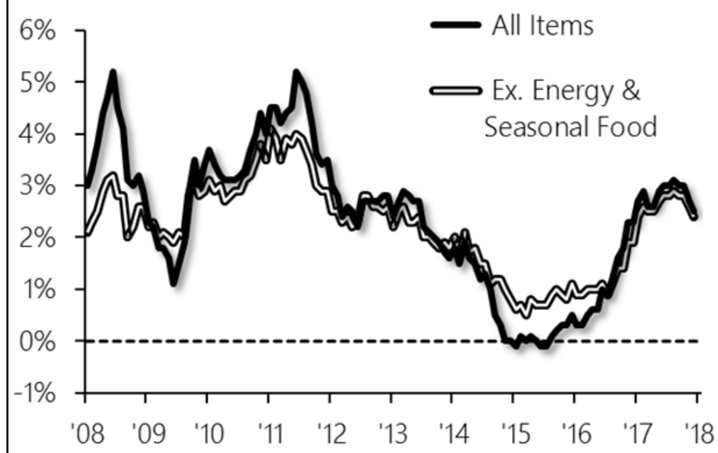
Global Consumer Price Index

Consumer Price Index, Y/Y%
Euro Area



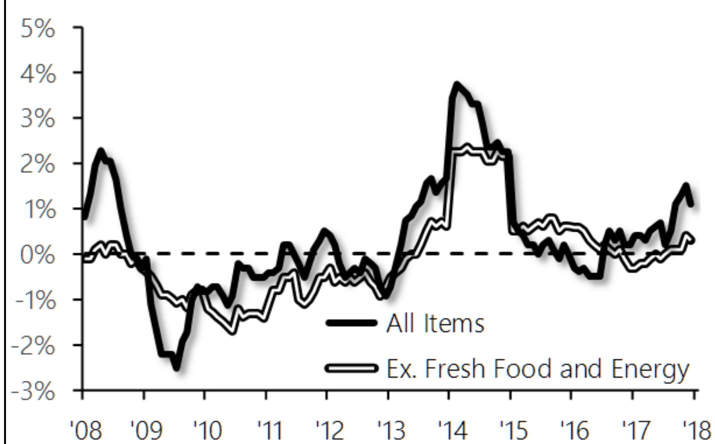
Source: Eurostat, Sit Investment Associates

Consumer Price Index, Y/Y%
United Kingdom



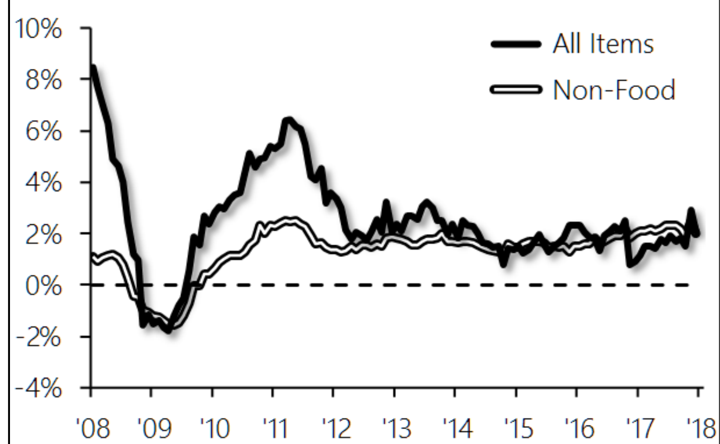
Source: UK Office for National Statistics, Sit Investment Associates

Consumer Price Index, Y/Y%
Japan



Source: Japan Cabinet Office, Sit Investment Associates

Consumer Price Index, Y/Y%
China

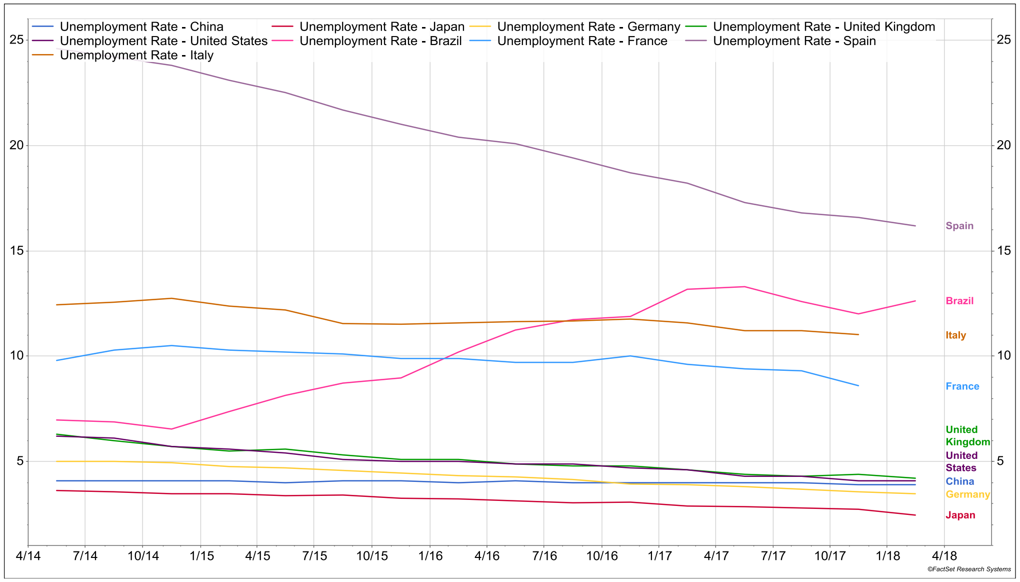


Source: National Bureau of Statistics, Sit Investment Associates

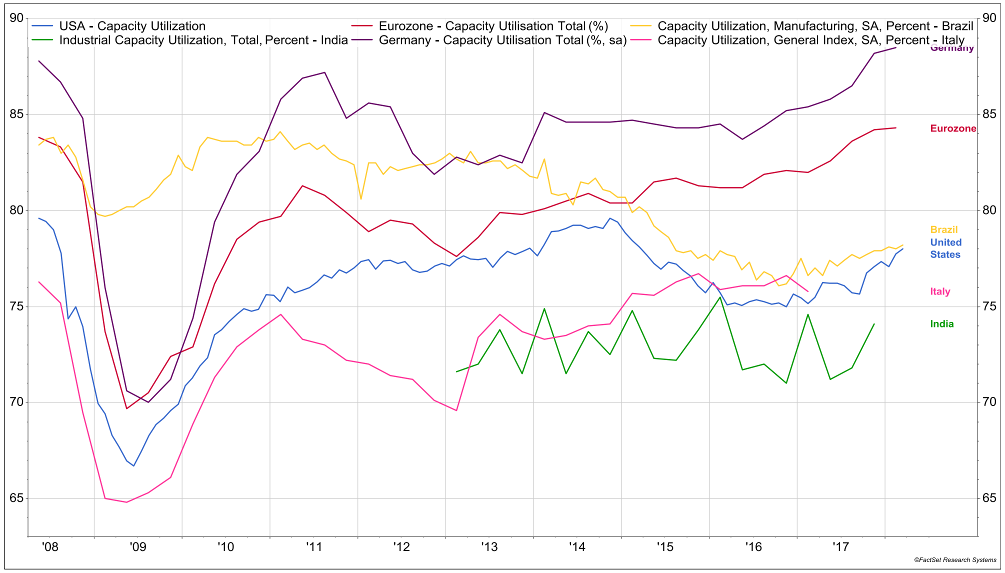
Source: National Bureau of Statistics, UK Office for National Statistics, Eurostat, Japan Cabinet Office & Sit Investment Associates, Inc. 5/15/18

World Data Suggests Slack

World Unemployment Rate



World Capacity Utilization



Sit Investment Associates

Source: FactSet Research Systems & Sit Investment Associates, Inc. 5/15/18

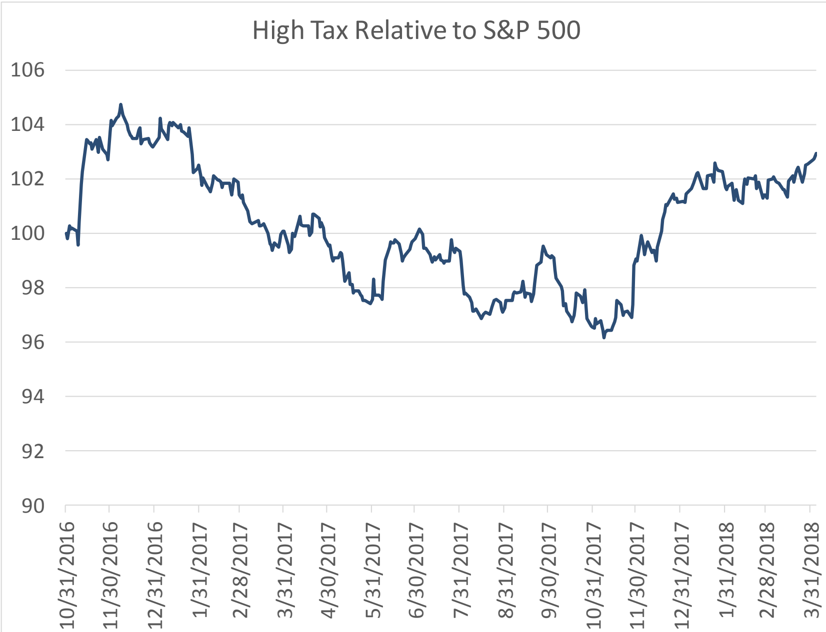
Expected Range of Future Fixed Income Returns

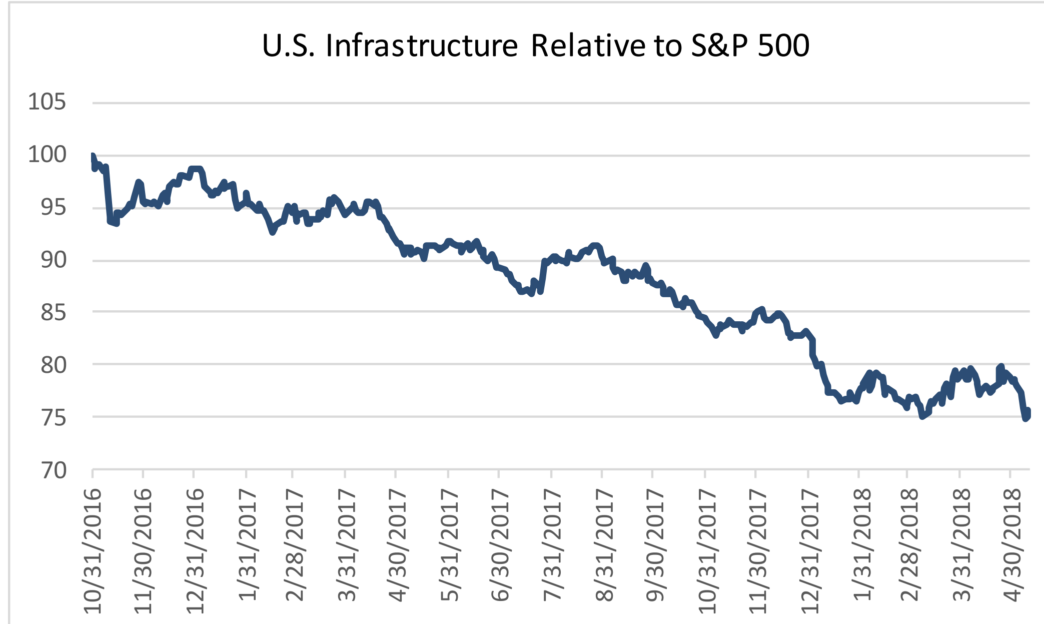
April 30, 2018

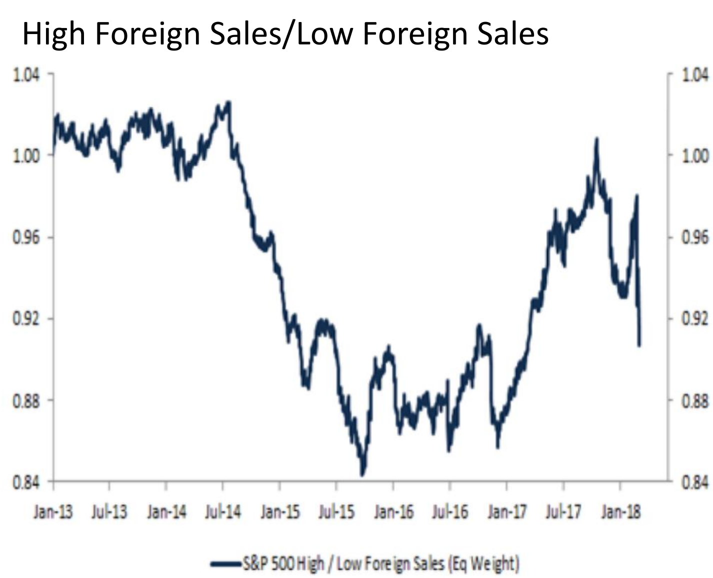
Risk Level/ Representative Issue	Interest Rate Forecast	6 Months Terminal Yield	6 Months Total Return	1 Year Terminal Yield	1 Year Total Return	3 Yrs (Ann. Return) Terminal Yield	3 Yrs (Ann. Return) Total Return
Low Risk							
2 yr. Constant Mat. Tsy.	Pessimistic	3.25%	-0.2%	3.50%	0.6%	4.00%	1.6%
Present YTM 2.49%	Most Likely	3.00	0.3	3.25	1.0	3.00	2.2
	Optimistic	1.50	3.2	1.50	4.4	2.00	2.8
Intermediate Risk							
5 yr. Constant Mat. Tsy.	Pessimistic	3.25	-0.7	3.75	-1.5	5.00	-0.3
Present YTM 2.80%	Most Likely	3.00	0.5	3.38	0.2	4.00	1.1
	Optimistic	1.50	7.6	1.50	9.1	3.00	2.5
Medium Risk							
10 yr. Constant Mat. Tsy.	Pessimistic	3.75	-5.1	4.00	-5.6	5.50	-3.5
Present YTM 2.95%	Most Likely	3.25	-1.1	3.50	-1.6	4.50	-1.1
	Optimistic	2.00	10.0	2.00	11.5	3.50	1.5
High Risk							
30 yr. Constant Mat. Tsy.	Pessimistic	4.50	-21.0	4.75	-22.8	6.00	-11.3
Present YTM 3.12%	Most Likely	3.50	-5.5	3.75	-8.1	5.00	-6.9
	Optimistic	2.25	20.5	2.25	22.0	4.00	-1.9

Source: Sit Investment Associates, Inc. 4/30/18

Trump Trades Making a Comeback



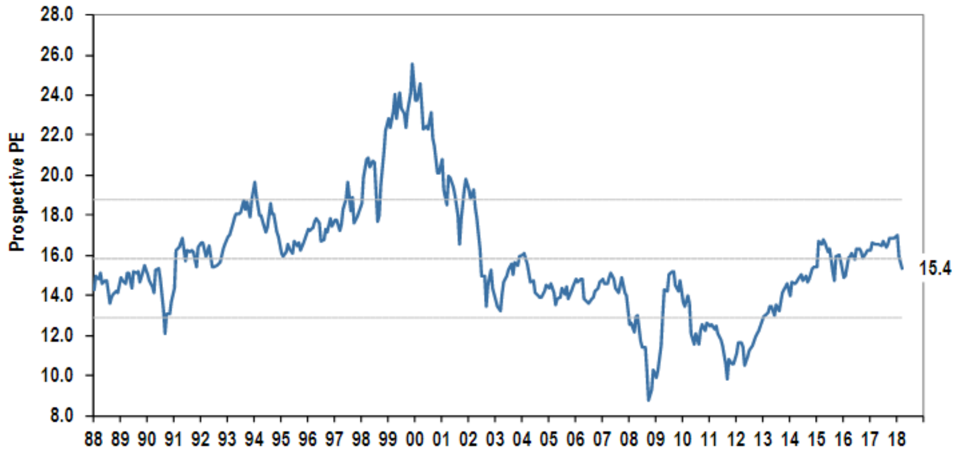




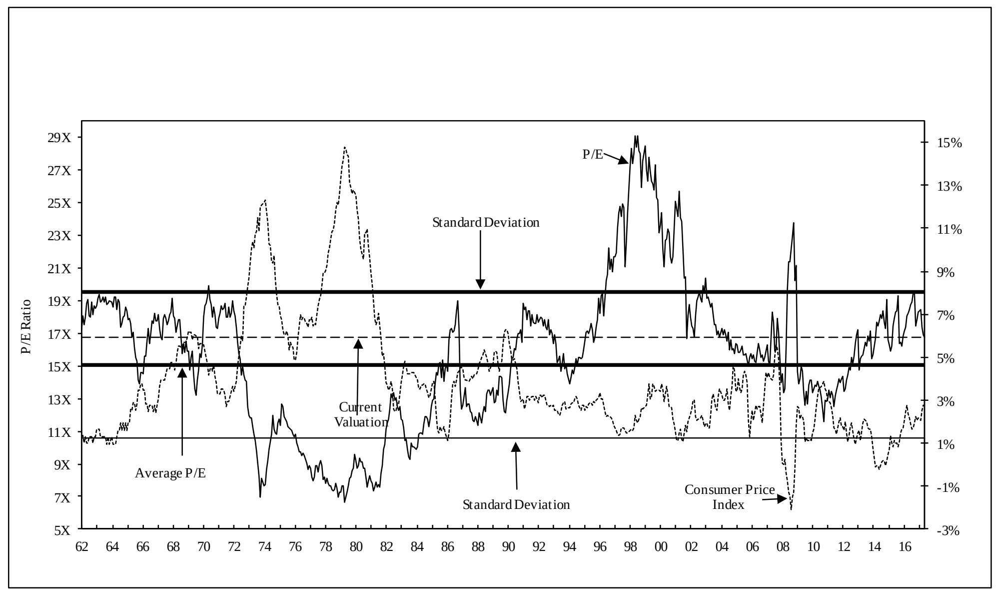
Source: Bloomberg & Sit Investment Associates, Inc. 4/30/18, BCA Research 12/11/17 & Evercore ISI 3/4/18

Equity Valuations are Reasonable

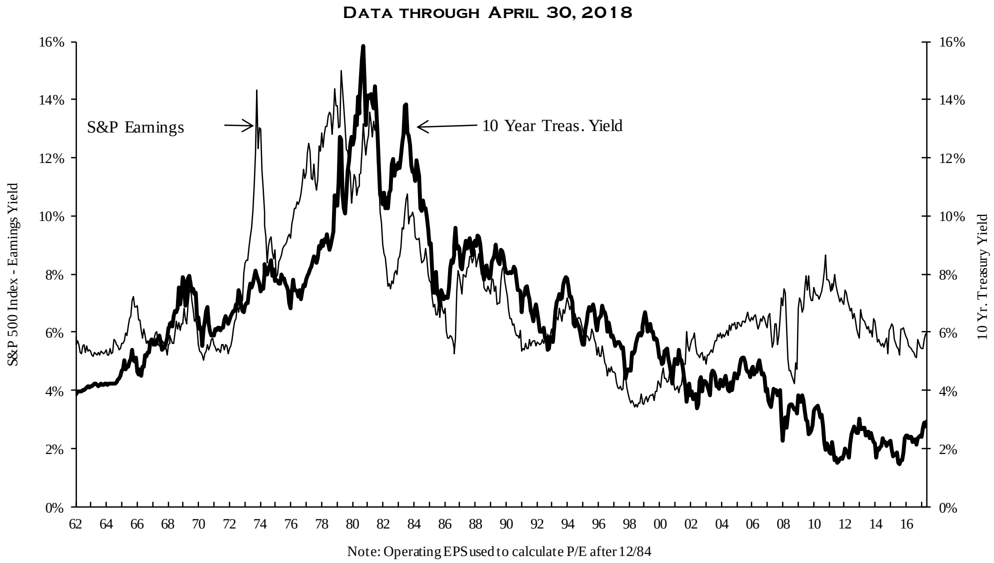
Global Prospective PE

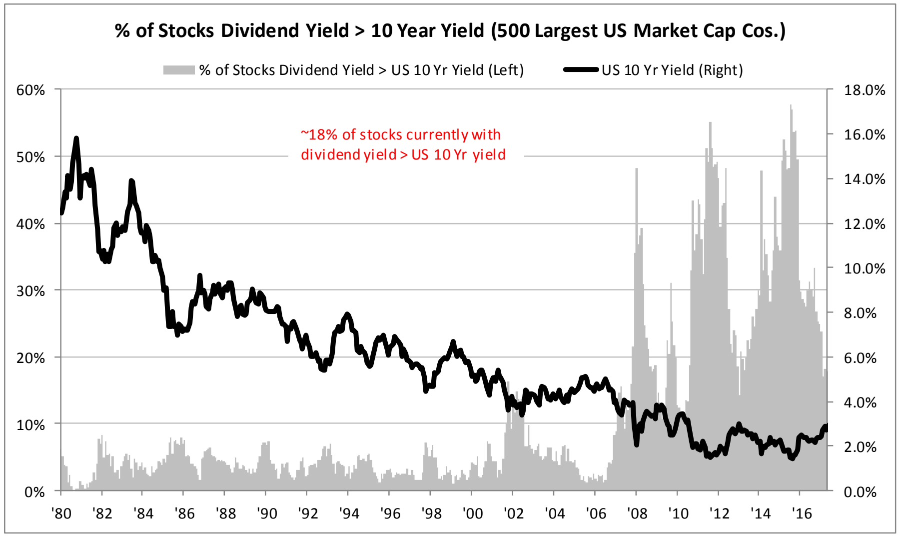


S&P 500 Forward P/E Data Through 4/30/18



Dividend Yields are Attractive to Bond Yields





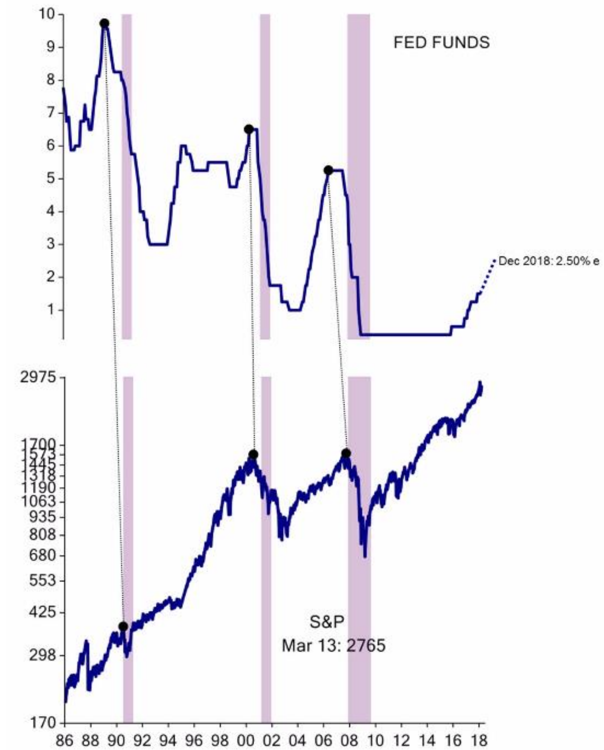
Sit Investment Associates

Source: S&P, BLS, Sanford C. Bernstein & Co. LLC, FactSet Research Systems & Sit Investment Associates, Inc. 4/30/18

How Much Longer Will the Bull Market Last?

Three Super Bull Markets had solid growth and moderate inflation.

	Y/Y% Average Growth	Y/Y% Average Inflation
1925 - 1929 US (Roaring Twenties)	+4.7%	-0.2%
1985 - 1989 Japan (Bubble Years)	+5.2%	+1.1%
1995 - 1999 US (U.S. Tech Bubble)	+4.0%	+2.4%
Average (rounded)	+5%	+1%



Source: Evercore ISI 3/14/18

Market Volatility

III. Market volatility will likely continue as investors try to determine if stronger growth can occur.

- Monetary policies in the U.S. and internationally will continue to be unwound as growth continues, and to manage inflation. The aggressiveness of the unwinding, both in terms of interest rate increases and reduction in quantitative easing, will worry the markets due to its impact on economic growth.
- Will President Trump's pro-growth philosophy and actions really accelerate growth? Budget deficit and debt levels are increasing. Will the U.S./China trade war cause a global recession? The lack of a more solid, predictable economic foundation creates nervousness and concern, which will lead to increased volatility.
- Debt levels increasing in developed and developing economies impacting growth.
- Markets need economic clarity in order to assess interest rates, corporate revenues and earnings strength. We believe earnings strength is the catalyst to stock price appreciation.

Historical S&P 500 Bull Markets Since 1940

Start Date	End Date	Start Price	End Price	Years	S&P 500 Change
Apr-42	May-46	7	19	4.1	158%
Jun-49	Aug-56	14	50	7.1	266%
Oct-57	Dec-61	39	73	4.1	86%
Jun-62	Feb-66	52	94	3.6	80%
Oct-66	Nov-68	73	108	2.1	48%
May-70	Jan-73	69	120	2.6	74%
Oct-74	Nov-80	62	141	6.2	126%
Aug-82	Aug-87	102	337	5.0	229%
Dec-87	Jul-90	224	369	2.6	65%
Oct-90	Mar-00	295	1,527	9.5	417%
Oct-02	Oct-07	777	1,565	5.0	101%
Mar-09	**?**	**677**	**2,730**	**9.4**	**304%**

Source: FactSet & Sit Investment Associates, Inc. 5/14/18

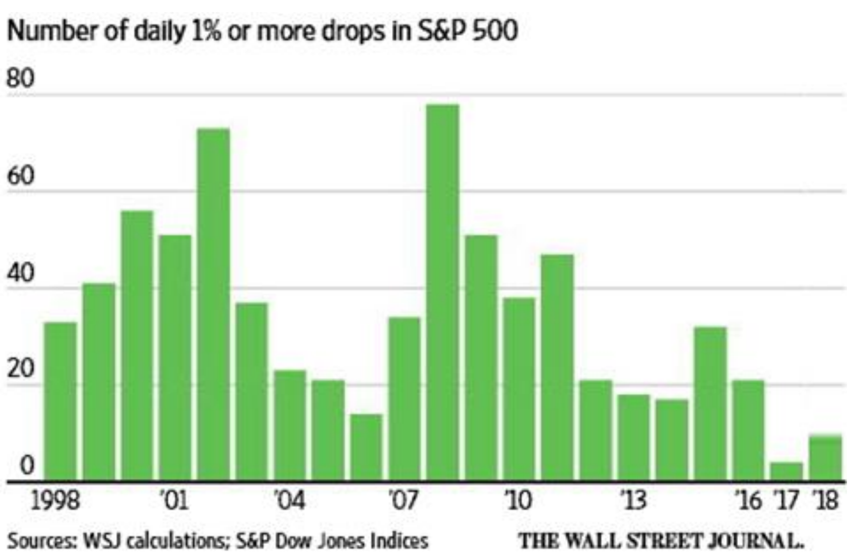
Stock Market Was Largely Uninterrupted

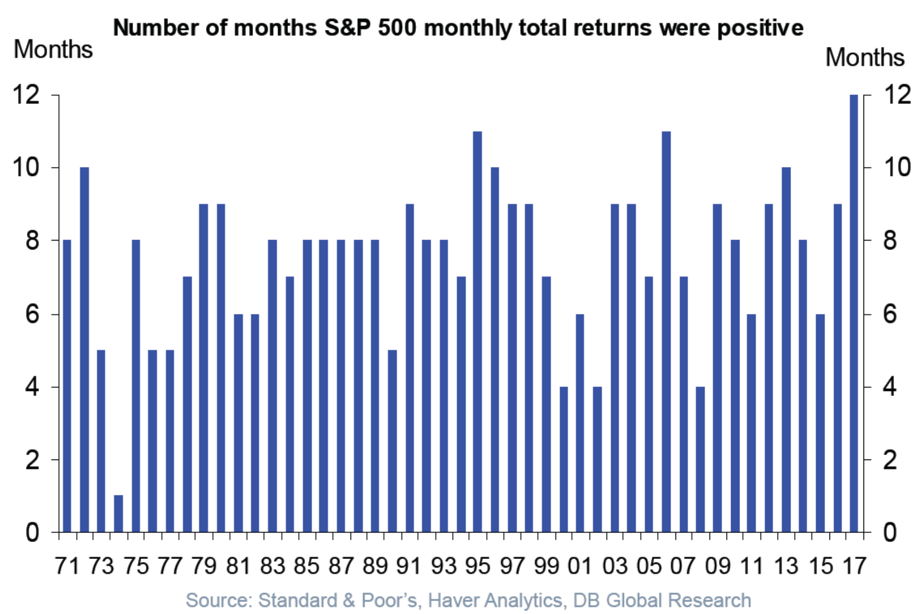
Start Date	End Date	
11/26/63	6/3/64	131 Days
12/17/64	6/1/65	114 Days
9/2/65	2/23/66	120 Days
1/27/83	6/27/83	105 Days
7/7/93	2/23/94	162 Days
1/26/95	1/9/96	241 Days
11/7/16	2/1/18	311 Days

The S&P 500 stock index went 311 days without a total 3% drop[1], its longest period of calm since 1995-1996.

Longest streaks without a 3% pullback since 1960.

1 – S&P 500 decline percentage based off of peak index level over the past 250 days.

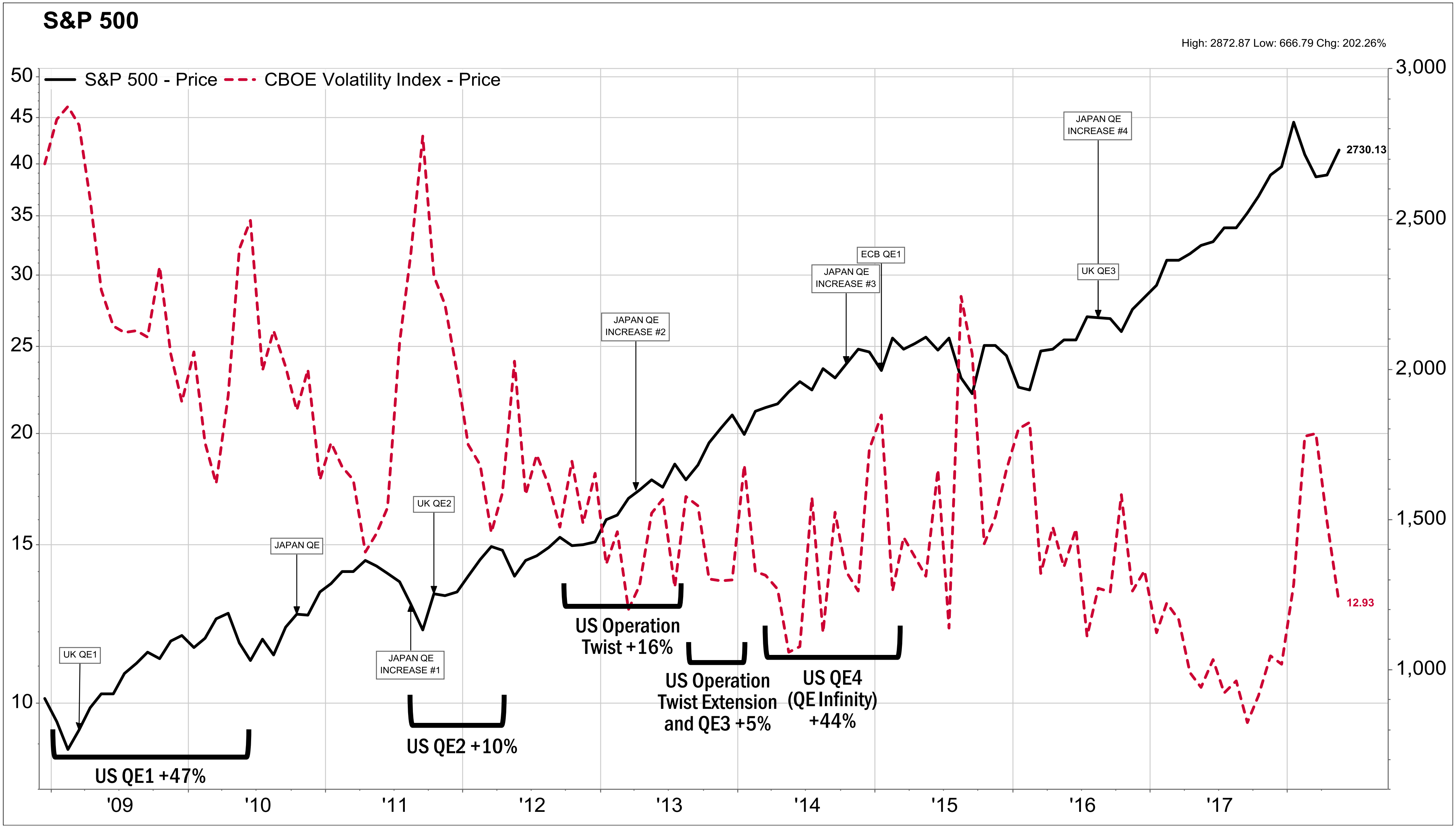




Sit Investment Associates

Source: Sit Investment Associates, Inc. & Evercore ISI 2/8/18

Quantitative Easing has Stimulated the Market



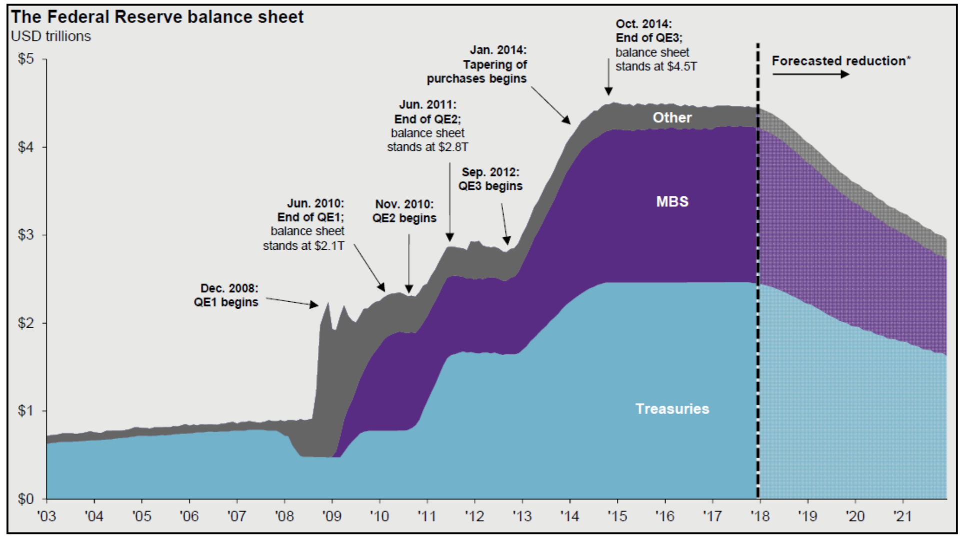
Sit Investment Associates

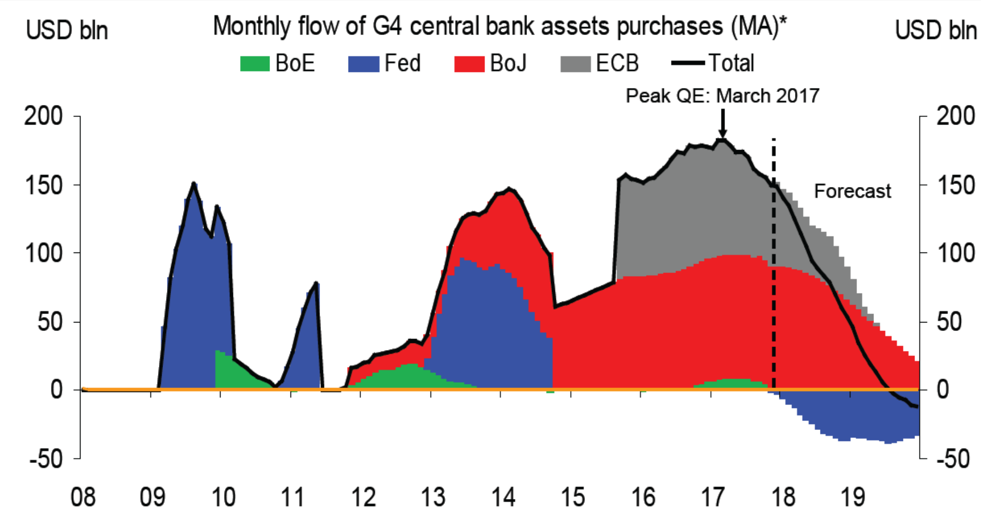
Source: Factset Research Systems & Sit Investment Associates, Inc. 5/14/18

Central Bank Balance Sheets Expected to Unwind

G-4 central bank balance sheets expected to unwind slowly, Fed/ECB/BoE/BoJ balance sheets, $US trillions

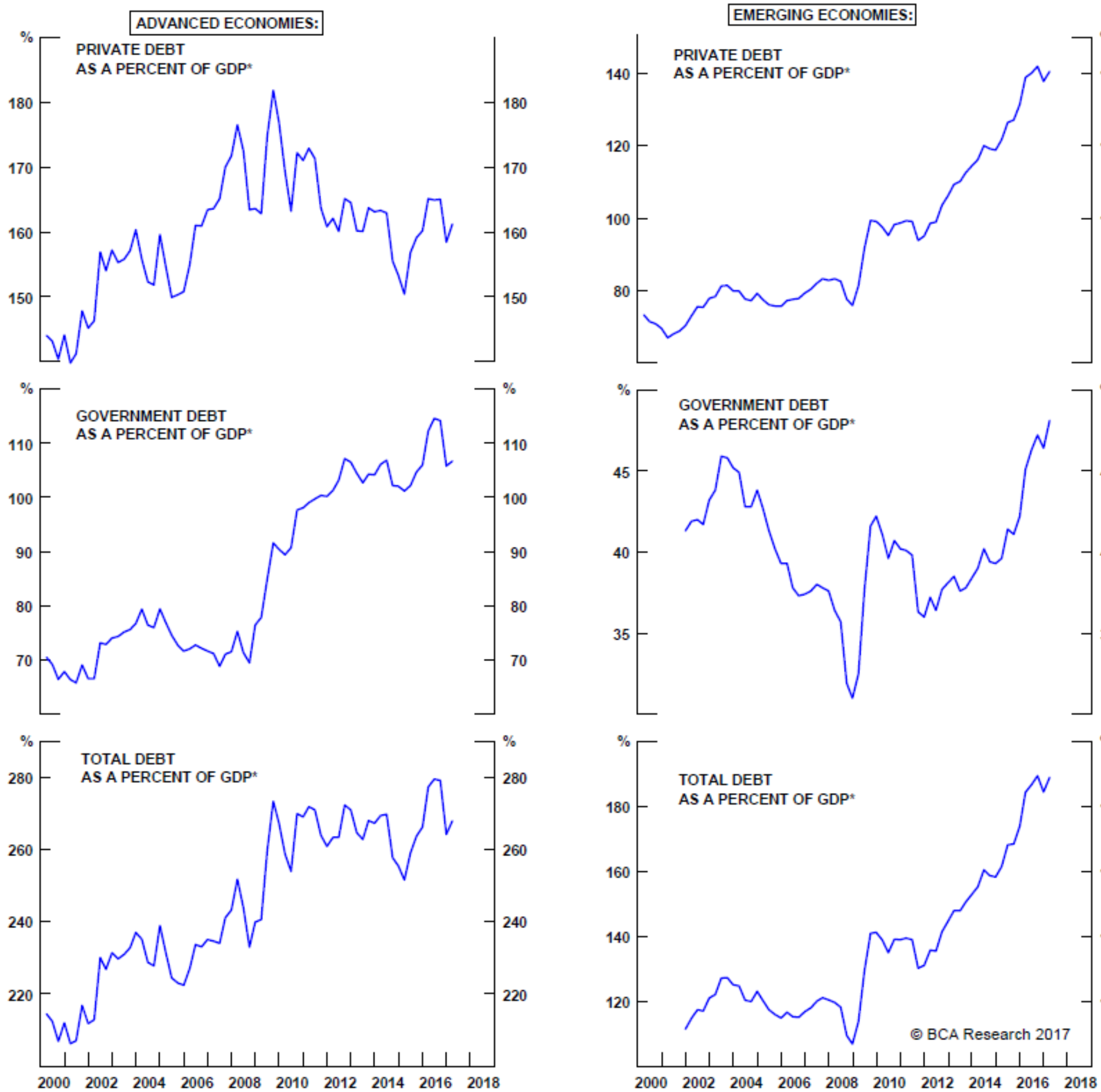
Source: National central banks, JP Morgan Economic Research. Oct 2017.





*Note and assumptions: ECB & Fed data is 6m MA, others are 12m MA, Between Apr-2013 to October 2014 BoJ purchase of JGBs assumed to be around 7-7.5 trln Yen per month and Post November 2014, BoJs monthly purchase of JGBs assumed to be 10 trln Yen per month. Assumptions: Fed will redeem maturing assets as per the announced cap during the September decision. ECB will cut buying to EUR 30 billion per month from January 2018 and reduce to EUR 10 billion for October, November and December 2018 and eventually cut to zero in 2019. BoE assumed to remain the same as the Asset Purchase Facility to end in February 2017. BoJ to cut buying by Yen 3.79 trillion from January 2018.

Global Debt Challenge to Growth



* SOURCE: BIS.

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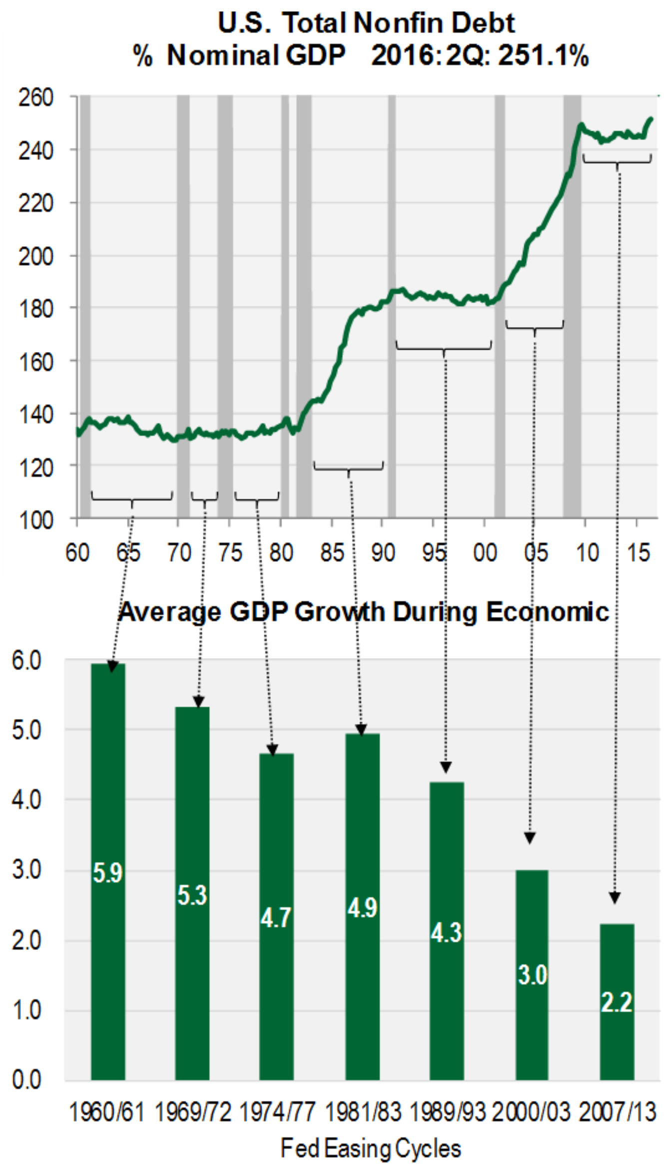


Sit Investment Associates

Source: BCA Research 11/20/17 & Cornerstone Macro 1/9/17

IV. We are in a stock picker's market. Strong fundamentals and quality earnings are needed for stock price appreciation and for sustaining price appreciation.

- The equity markets are shifting from a monetary policy driven market to a company fundamentals driven market.
- Over the last nine years, the markets have increased as a result of multiple expansion in anticipation of an improving economy and corporate earnings. We cannot expect stock multiples to expand further.
- High sector and stock correlation, "rising tide lifts all boats," not likely to continue.
- The second half of 2017 and year-to-date corporate earnings have been relatively solid, which has led to further market appreciation based on fundamentals.
- We are in a stock picker's market, therefore earnings must "materialize." We must find the sectors and companies that can grow earnings and avoid those that cannot. Strong fundamentals and quality earnings are needed for stock price appreciation and for sustaining price appreciation.
- Equity Valuations are not expensive relative to history. Equity valuations are attractive relative to bonds.
- Active management versus passive management should do better. Passive investing has benefited from significant quantitative easing, low interest rates, and lack of market volatility worldwide. Active versus passive investing, historically, has been cyclical. Active management helps protect/limit exposure in more volatile/down markets. It's important to have a diversified portfolio of both styles.

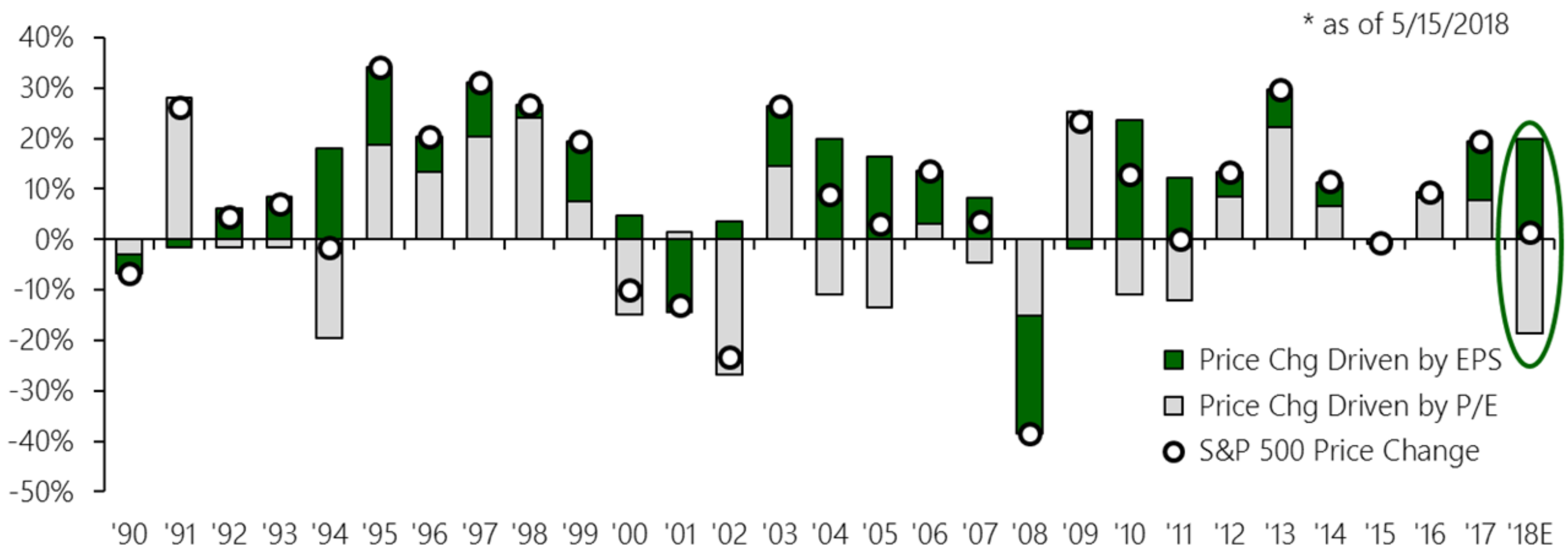
EPS Growth Driving Market Appreciation Last Year

Price/Earnings Ratio ✖ Earnings = Price

Therefore, for Price to Increase:

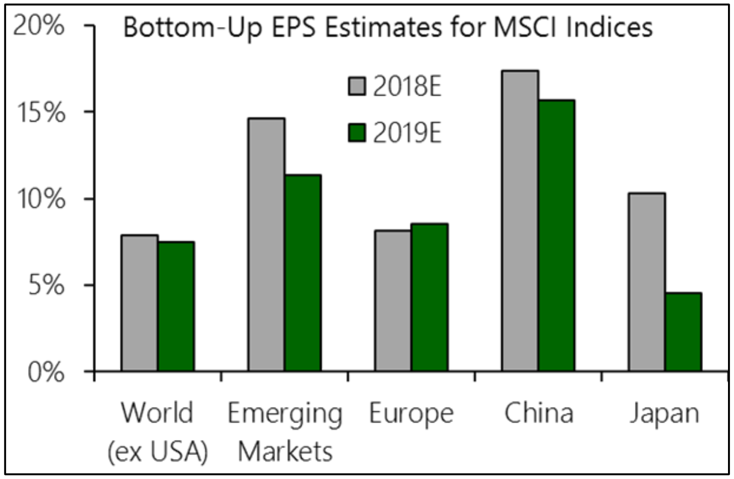
- Price/Earnings Ratio Has to Expand and/or
- Earnings Has to Increase

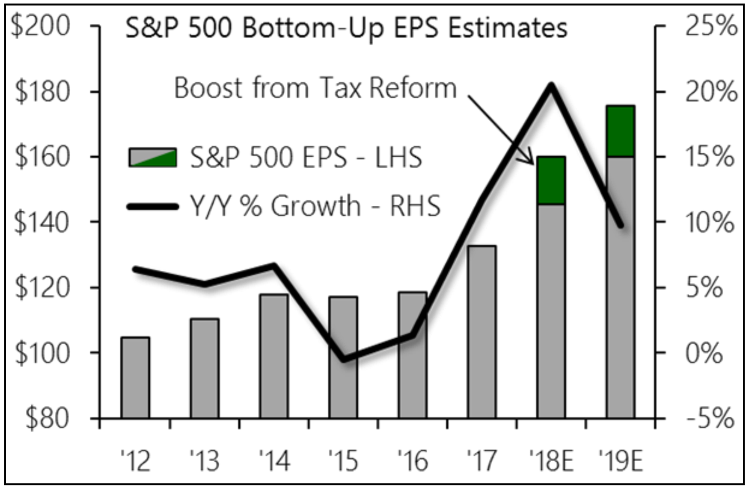
S&P 500 Price Returns, Contribution from EPS and PE



Source: Cornerstone Macro & Sit Investment Associates, Inc. 5/15/18

Bottoms Up EPS Estimates





Change in Consensus Growth Estimates

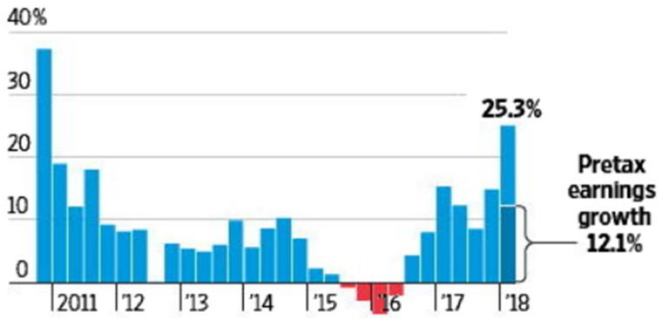
S&P 500 GICS Sector - Factset Estimates

Company Name	2018 EPS Growth Est. (%) 11/9/17	2018 EPS Growth Est. (%) Current	**Change in 2018 Growth Estimate**	2019 EPS Growth Est. (%) Current
Consumer Discretionary	31.4	57.3	**26.0**	24.1
Financials	14.0	31.3	**17.3**	10.2
Telecommunication Services	1.0	14.2	**13.2**	3.1
Industrials	10.4	20.9	**10.5**	12.4
Total	15.5	24.8	**9.3**	12.5
Information Technology	12.9	20.0	**7.1**	12.2
Consumer Staples	8.0	12.9	**4.8**	8.1
Health Care	8.5	11.9	**3.4**	9.3
Materials	16.2	18.9	**2.8**	11.7
Real Estate	9.5	9.0	**-0.5**	12.6
Utilities	6.7	3.1	**-3.7**	5.4
Energy	39.3	34.1	**-5.2**	13.8

Pop in Profits

Lower tax rates are helping boost first-quarter earnings at S&P 500 firms to a seven-year high.

Year-over-year growth in per-share earnings*



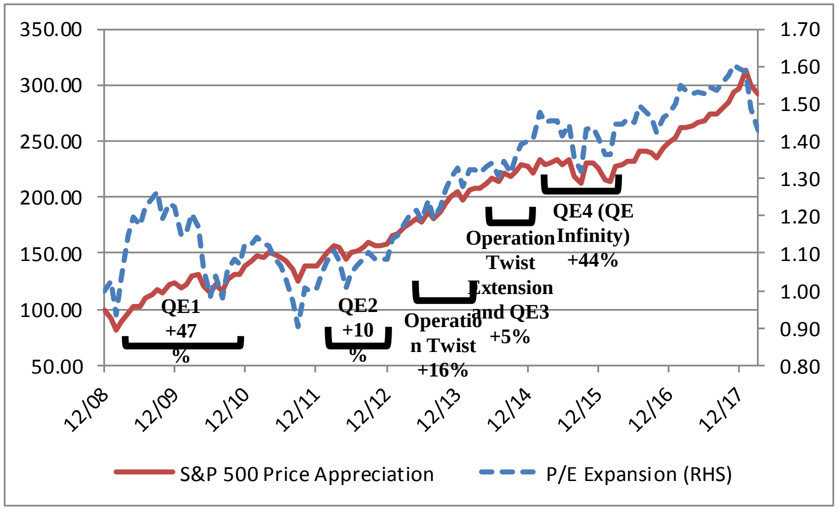
*Latest data includes reported results and estimates

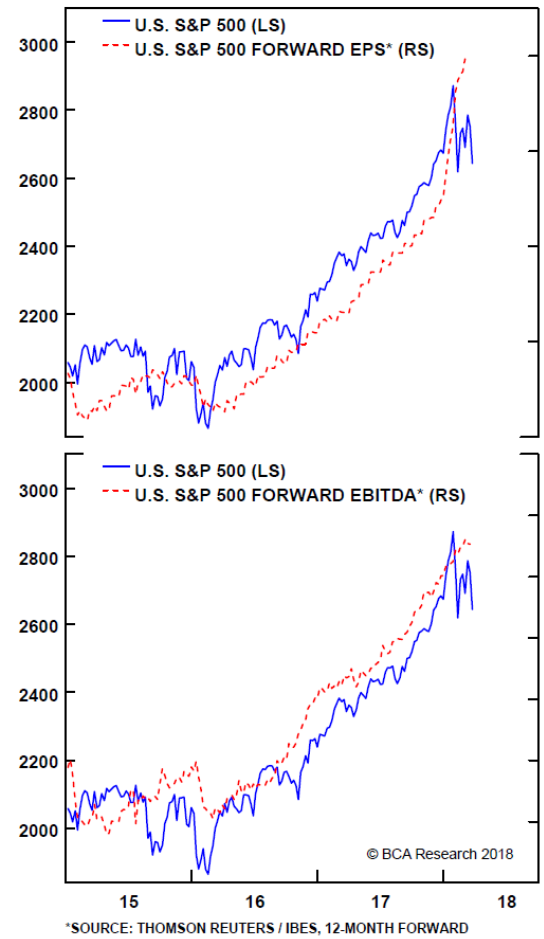
Source: Thomson Reuters

THE WALL STREET JOURNAL.

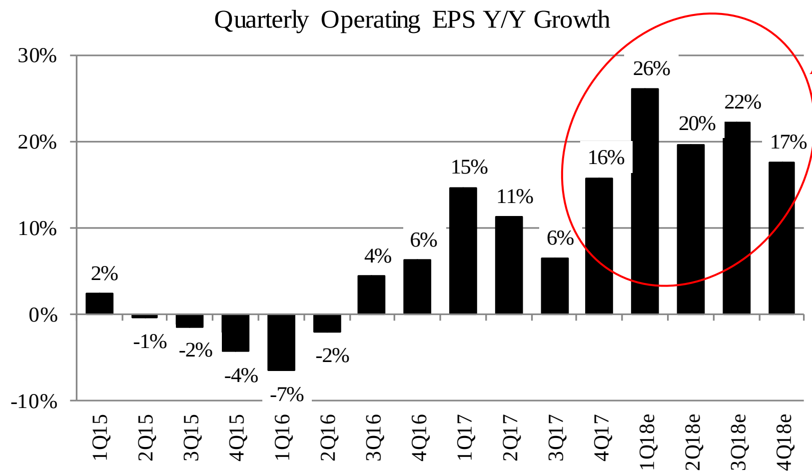
P/E Expansion Drove Market Higher, Now Needs Earnings

(P/E x Earnings = Price)





S&P 500
Quarterly Operating EPS Y/Y Growth



Are consensus estimates too high???

2016 EPS growth: 0.5% (average)

2017 Est. EPS growth: 11.9% (average)

2018 Est. EPS growth: 21.1% (average)

Sit Investment Associates

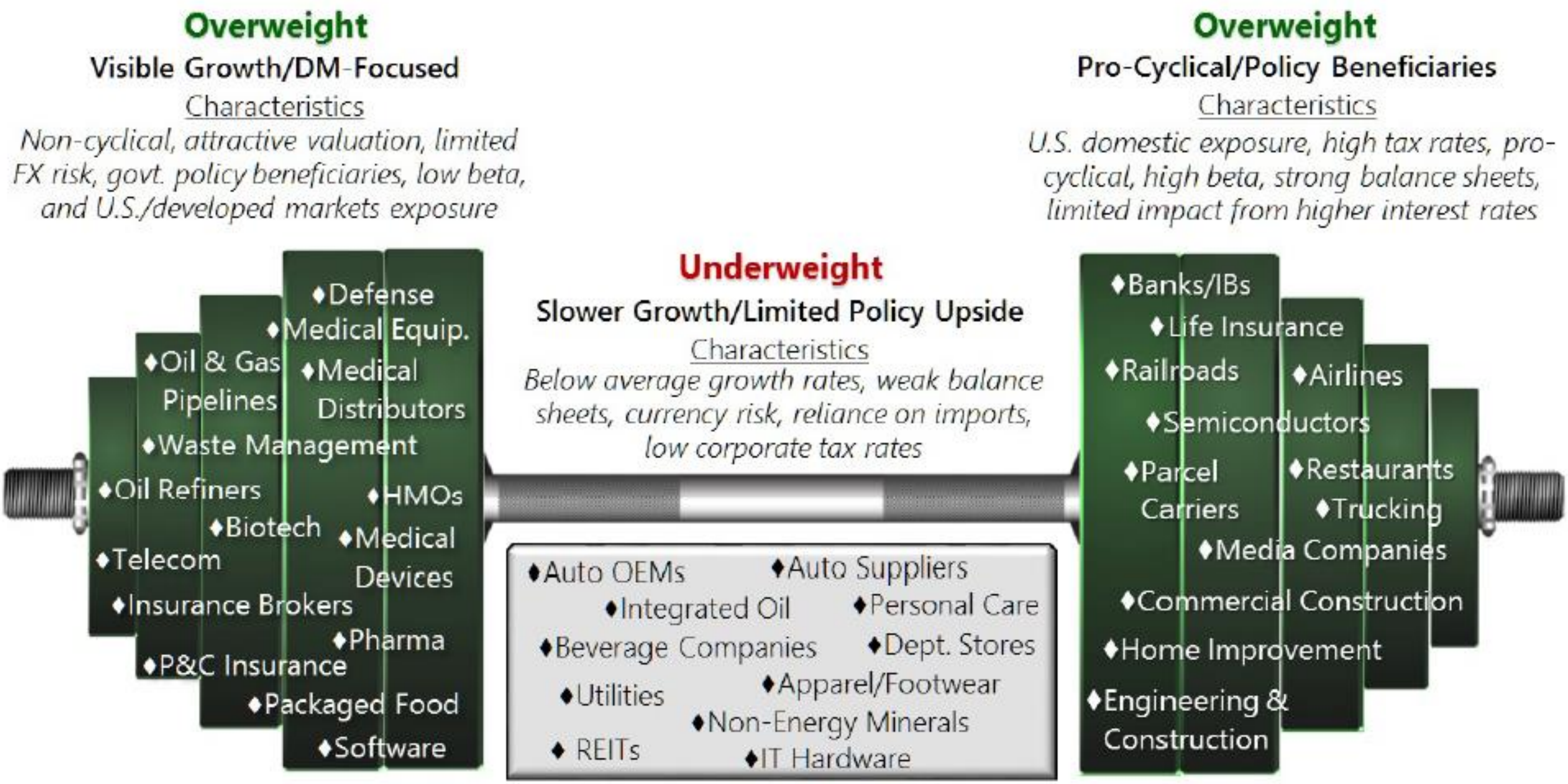
Source: Factset Research Systems 5/15/18, BCA Research 3/26/18

"Barbell" Strategy

V. Our equity investment strategy is a diversified "barbell" portfolio that focuses on potential beneficiaries from President Trump's themes and less cyclical, largely developed markets focused growth stocks. The "barbell" strategy is appropriate due to the likely "fits and starts" in response to both progress and delays in Washington and global macroeconomic conditions.

- On the Trump side of the "barbell", we focus on beneficiaries from the President's growth-related themes of:
  - Tax Reform – Corporate & Personal
  - Deregulation
  - Repatriation of Foreign Corporate Cash
  - Infrastructure Spending
- On the less cyclical, growth-stock side of the "barbell," we focus on companies that have more visible potential revenues and earnings. Growth with material exposure in the U.S. and developed international markets. Sectors of focus include: telecom, technology, defense, consumer non-durables, and selective healthcare.
- On both sides of the "barbell," all our portfolio companies should possess high-quality characteristics. Quality growth stocks provide a favorable risk/reward profile. They participate in a rising market and retain their value better in a falling market. These quality growth stocks include the following characteristics:
  - Sales & Earnings Growth
  - Efficient Operations with Operating Margin Leverage
  - Free Cash Flow Generation
  - Dominant Market Share Positions
  - Proactive Management Teams
  - Attractive Valuations Relative to Growth Potentials

Components of Sit Investment Associates' "Barbell" Strategy



Sit Investment Associates

Source: Sit Investment Associates, Inc. 12/31/17

What Styles Work Throughout an Economic Cycle

Phase 1: Rising & Accelerating; Phase 2: Rising & Decelerating; Phase 3: Falling & Decelerating; Phase 4: Falling & Accelerating

Sources: B of A/Merrill Lynch & Sit Investment Associates, Inc. 10/12/17

Disclosure

Sit Mutual Funds

The Sit Mutual Funds are a family of 14 no-load mutual funds.

Performance figures are historical and do not guarantee future results. Investment returns and principal value will vary, and you may have a gain or loss when you sell shares. Current performance may be lower or higher than the performance data quoted. Contact the Fund for performance data current to the most recent month-end. Returns include changes in share price as well as reinvestment of all dividends and capital gains. Returns do not reflect the deduction of the 2% redemption fee imposed if shares are redeemed or exchanged within 30 calendar days from their date of purchase. If imposed, the fee would reduce the performance quoted. Returns do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. Management fees and administrative expenses are included in the Fund’s performance. Returns for periods greater than one year are compounded average annual rates of return.

Carefully consider the Fund’s investment objectives, risks, charges and expenses before investing. The prospectus contains this and other important Fund information and may be obtained by calling Sit Mutual Funds at 1-800-332-5580 or at www.sitfunds.com. Read the prospectus carefully before investing. Investment return and principal value of an investment will fluctuate so that an investor’s shares when redeemed may be worth more or less than their original cost.

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