

# Fixed-Income Investment Strategy

**Michael C. Brilley**  
President and Senior Fixed Income Officer  
Sit Fixed Income

Presentation For  
**Sit Mutual Fund Shareholder Luncheon**  
Edina Country Club  
Edina, Minnesota

October 22, 2018

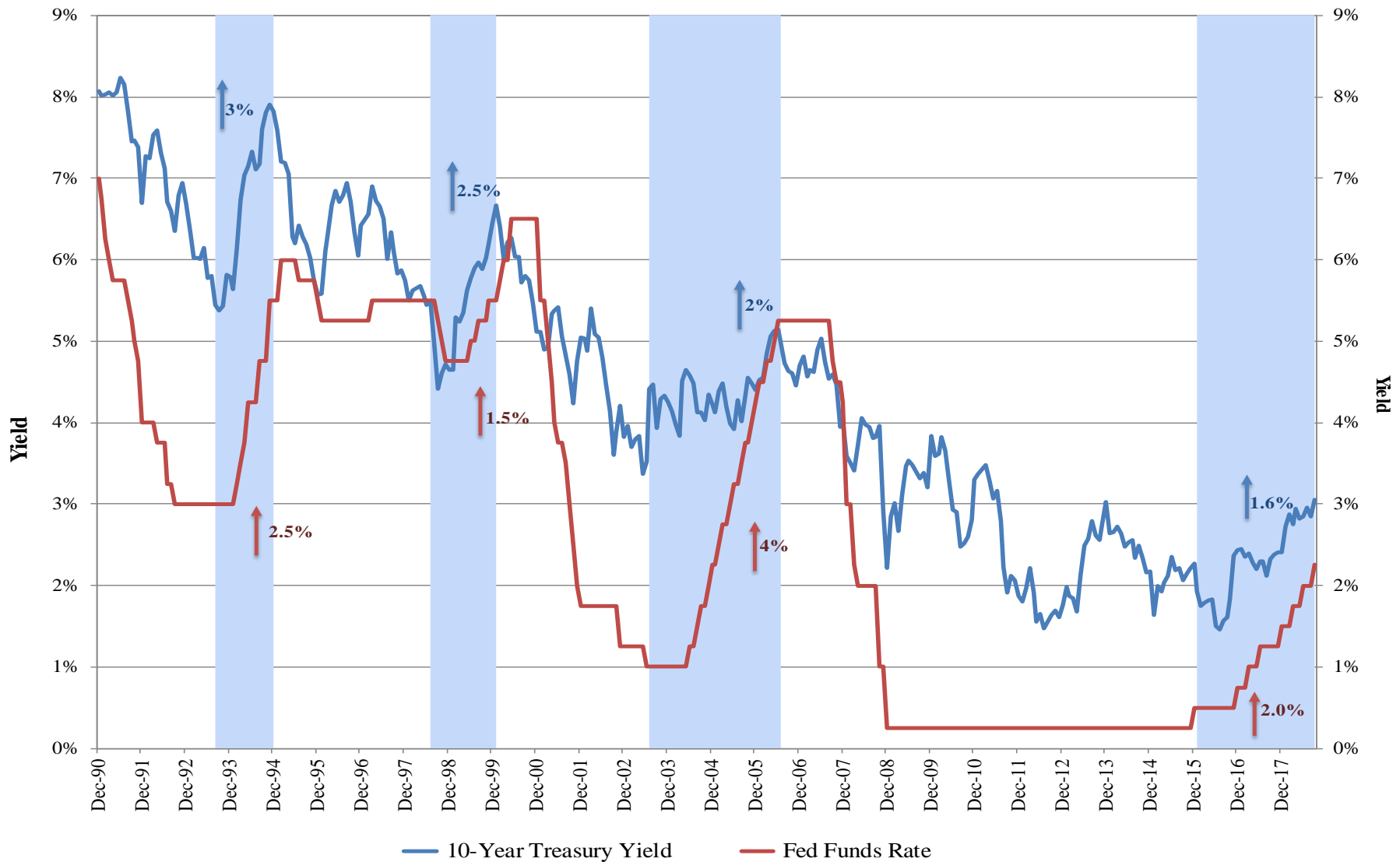


This presentation is intended for use at Sit Mutual Fund shareholder meetings. It must be preceded or accompanied by a prospectus. Carefully consider a Fund's investment objectives, risks, changes, and expenses before investing. The prospectus contains this and other important Fund information and may be obtained by calling 1-800-332-5580 or at [www.sitfunds.com](http://www.sitfunds.com).

---

[This page intentionally left blank.]

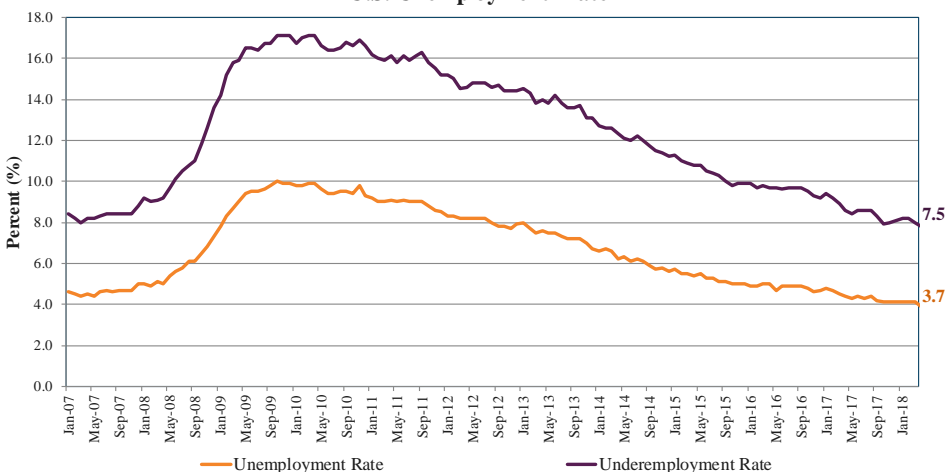
## 10-YEAR U.S. TREASURY RATES VS. FED FUNDS RATE



Source: Bloomberg, September 30, 2018

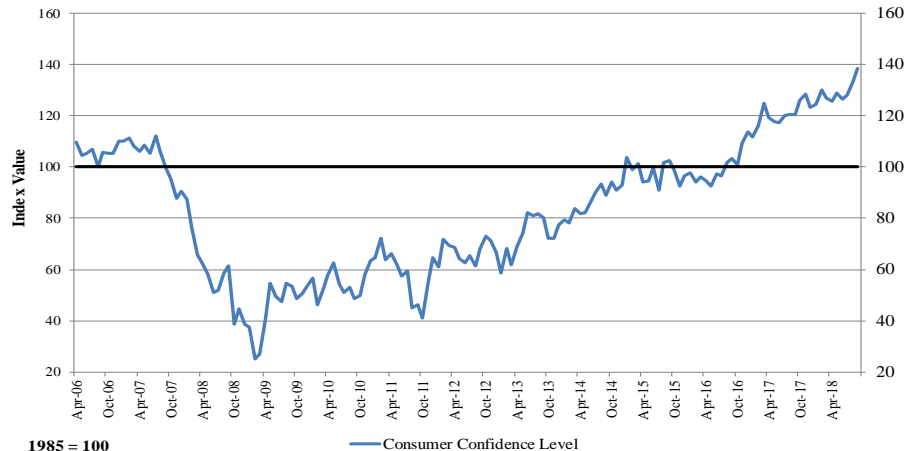
# STATE OF THE CONSUMER

## U.S. Unemployment Rate



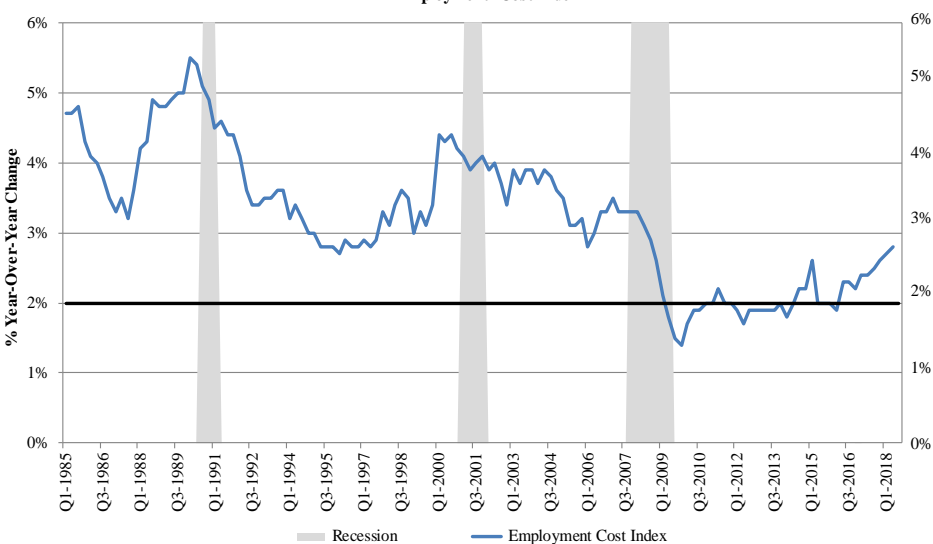
Source: frbatlanta.org, U.S. Bureau of Labor Statistics, September 2018

## Consumer Confidence



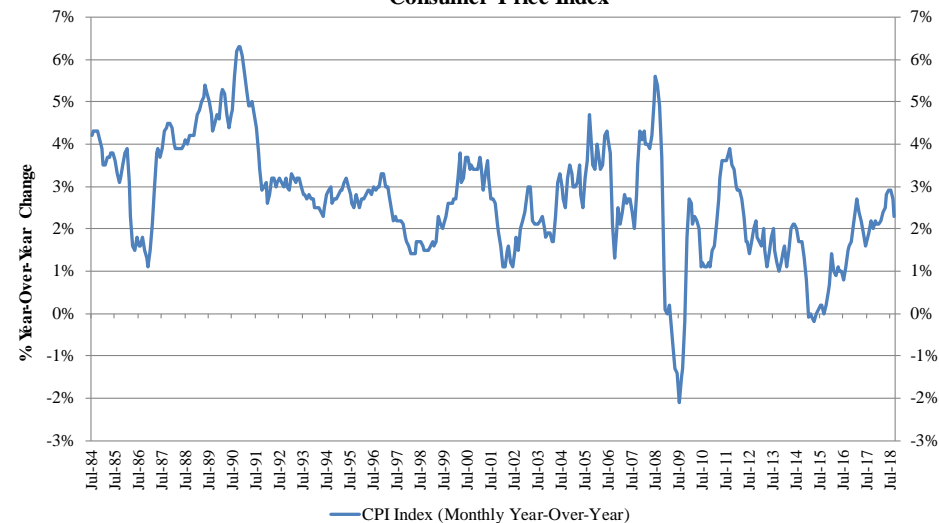
Source: Bloomberg, September 2018

## Employment Cost Index



Source: Bloomberg, August 2018

## Consumer Price Index

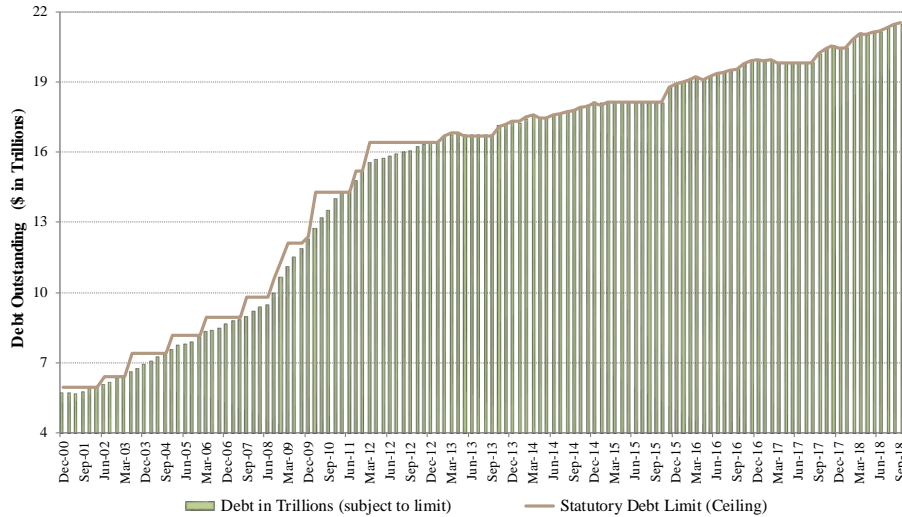


Source: Bloomberg Barclays, September 2018

# FEDERAL DEBT COMPOSITION

## Federal Debt Outstanding

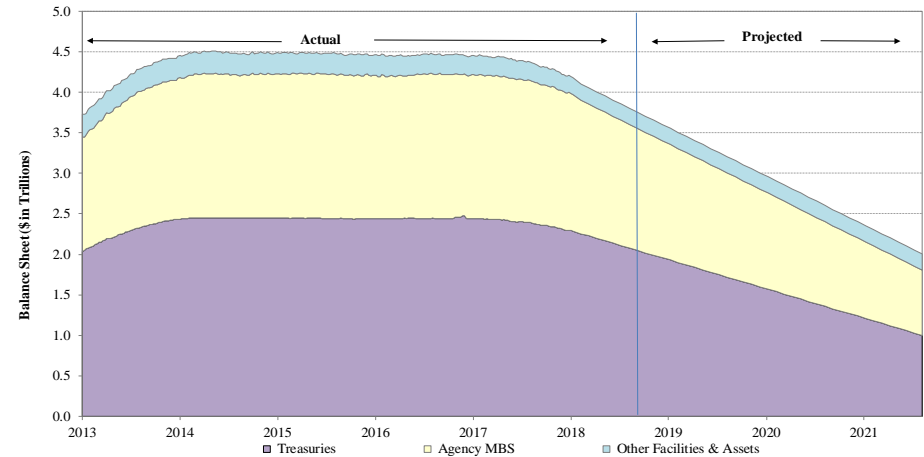
As of September 30, 2018



Source: U.S. Department of the Treasury Bureau of the Public Debt

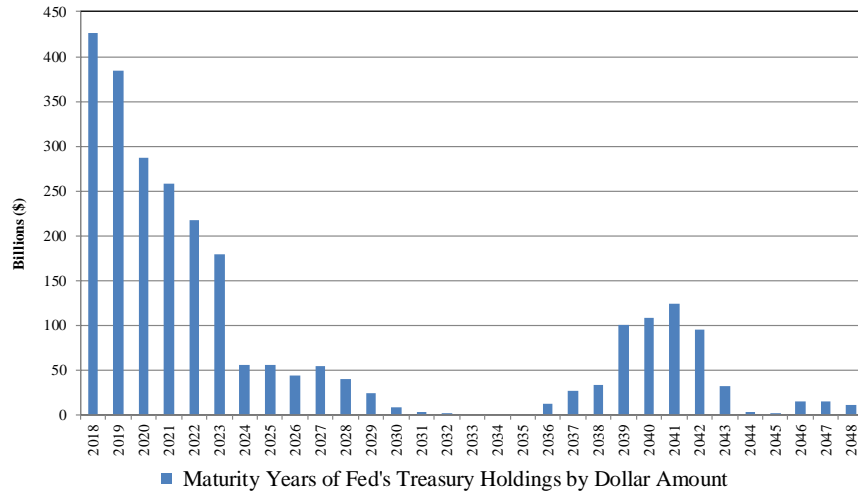
## Federal Balance Sheet

As of September 30, 2018



Source: Actual - Federal Reserve Bank of Cleveland; Projected - Sit Investment Associates based on Federal Reserve Board Balance Sheet Reduction Caps.

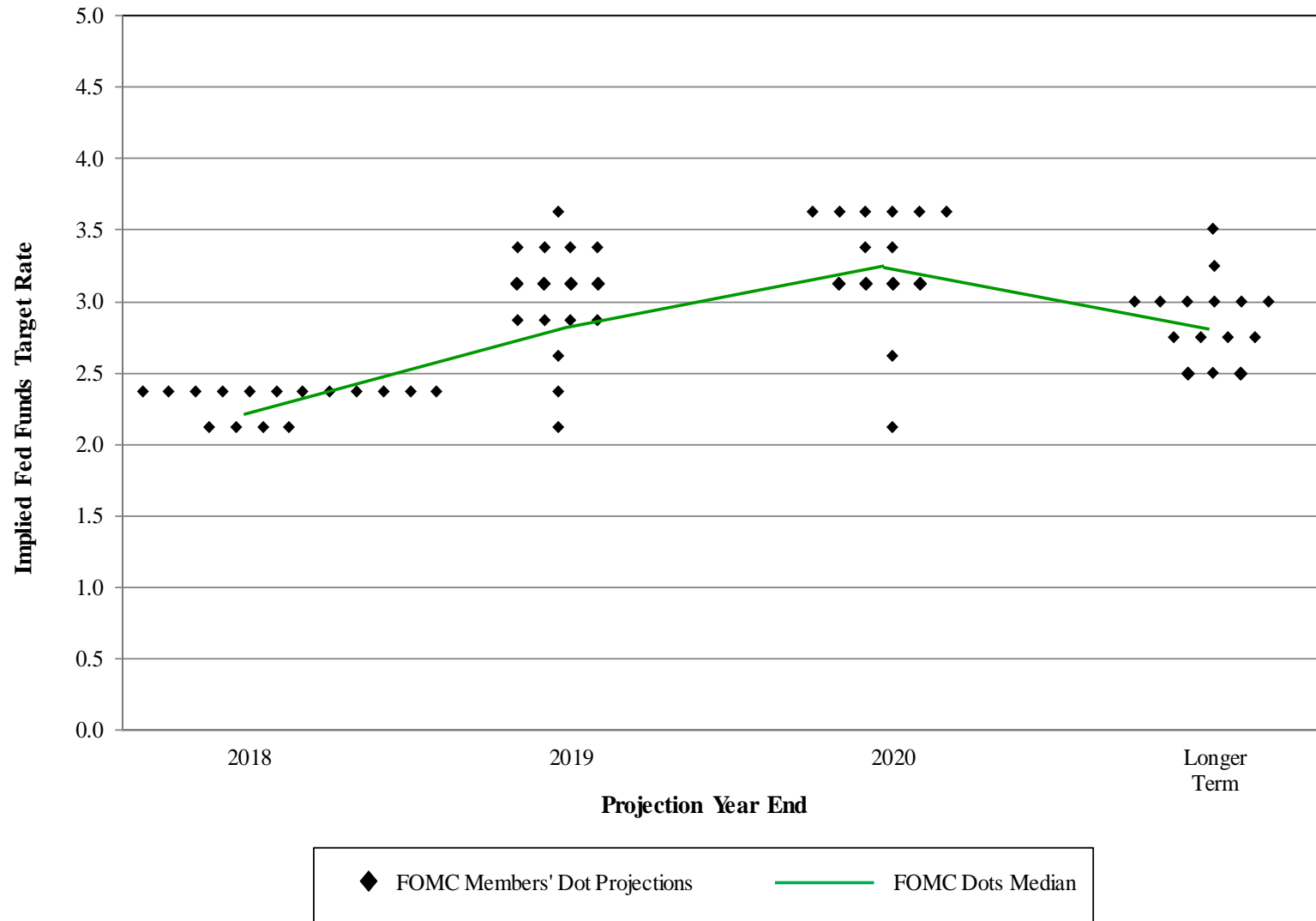
## Fed Treasury Maturity Schedule



## Treasury Purchases 03/18 - 09/18

Treasuries	Total (\$Billions)	% Total	93% of all Treasuries purchased are 2-10 year bonds
2-Year	23	25%	
3-Year	12	13%	
5-Year	23	24%	
7-Year	16	18%	
10-Year	12	13%	
30-Year	7	7%	
	93	100%	

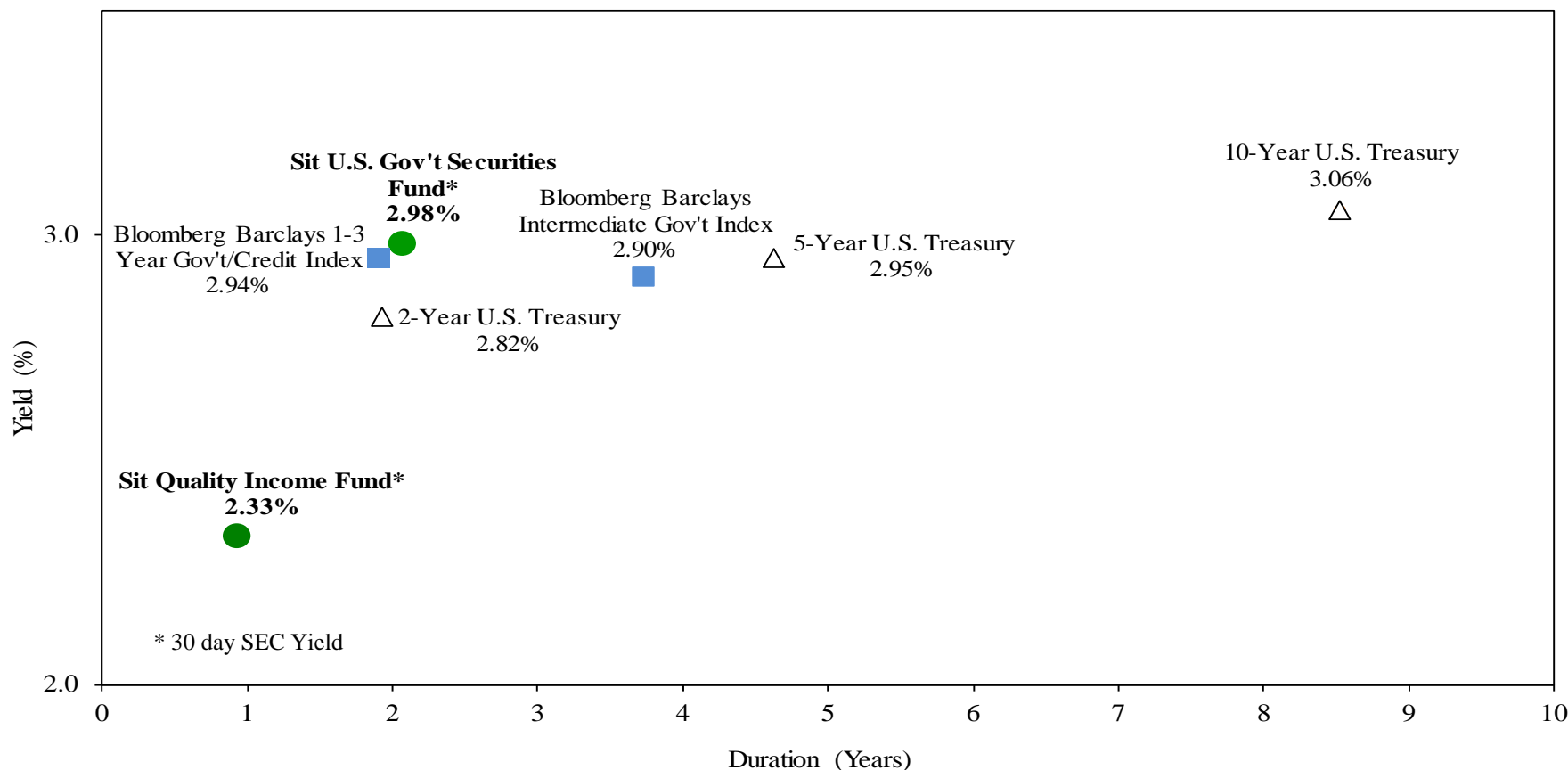
## IMPLIED FED FUNDS TARGET RATE SEPTEMBER 2018 FOMC MEETING



Source: Bloomberg & Federal Reserve September 2018

# TAXABLE BOND AND MUTUAL FUND YIELDS AND DURATIONS

As of September 30, 2018



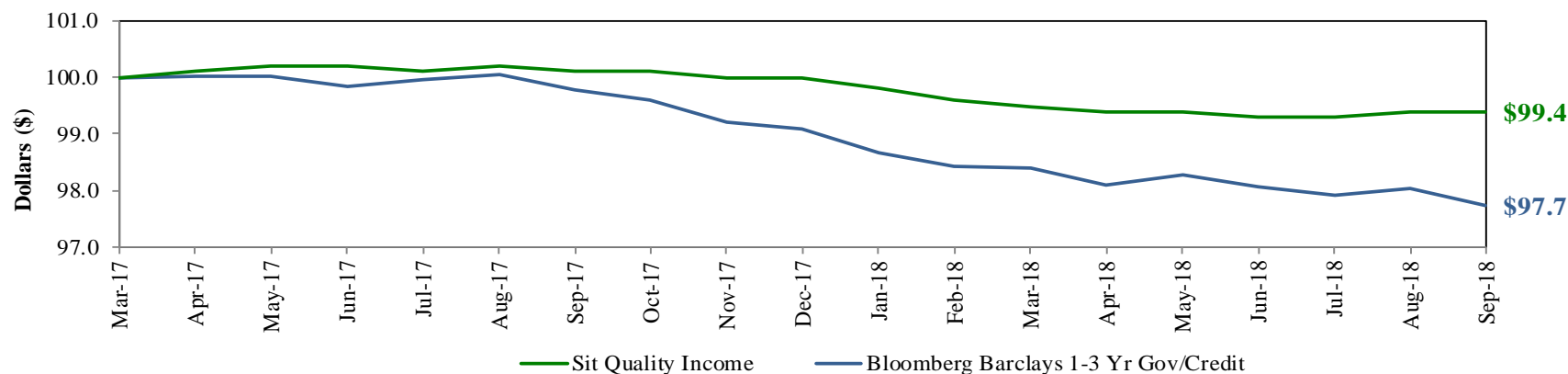
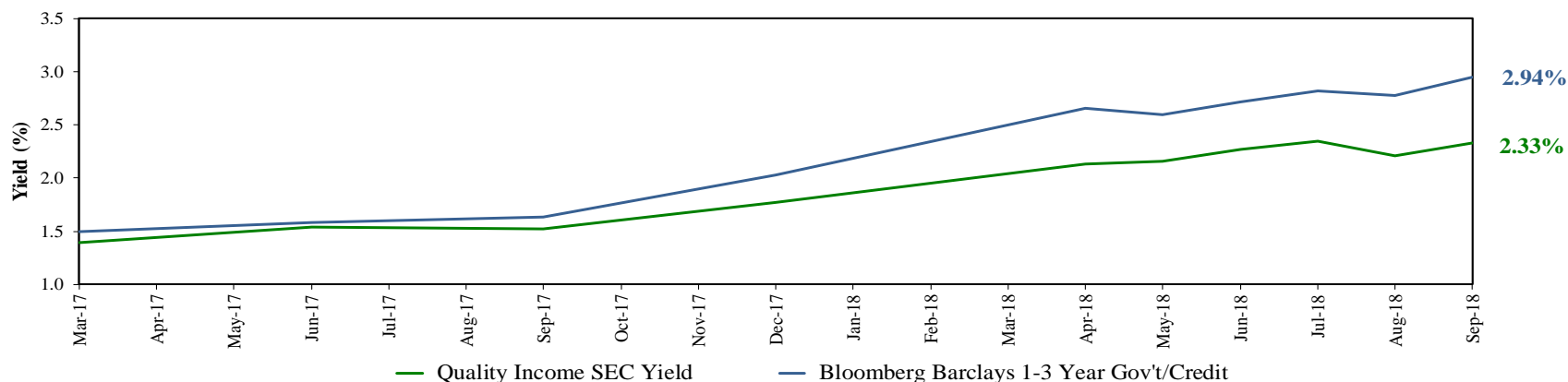
## Average Annual Total Returns (%) as of September 30, 2018

	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>	<u>Since Inception</u>
Sit Quality Income Fund (SQIFX)	0.9	0.9	#N/A	N/A	#N/A
Sit U.S. Government Securities Fund (SNGVX)	0.8	0.9	1.2	2.3	5.2

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 prices as well as reinvestment of all dividends and capital gains. 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. Please refer to the disclosure section for important information regarding risk and expenses.

# SIT QUALITY INCOME FUND VS. BENCHMARK YIELD AND PRICE COMPARISON

Sit Quality Income Fund Competitive Yield



## Average Annual Total Returns (%) as of September 30, 2018

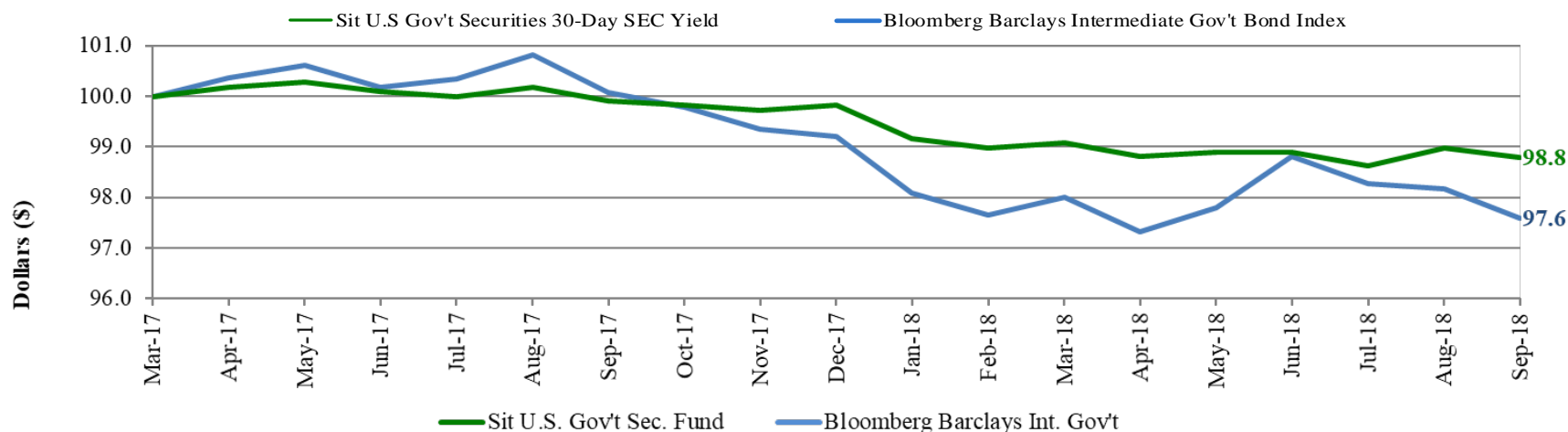
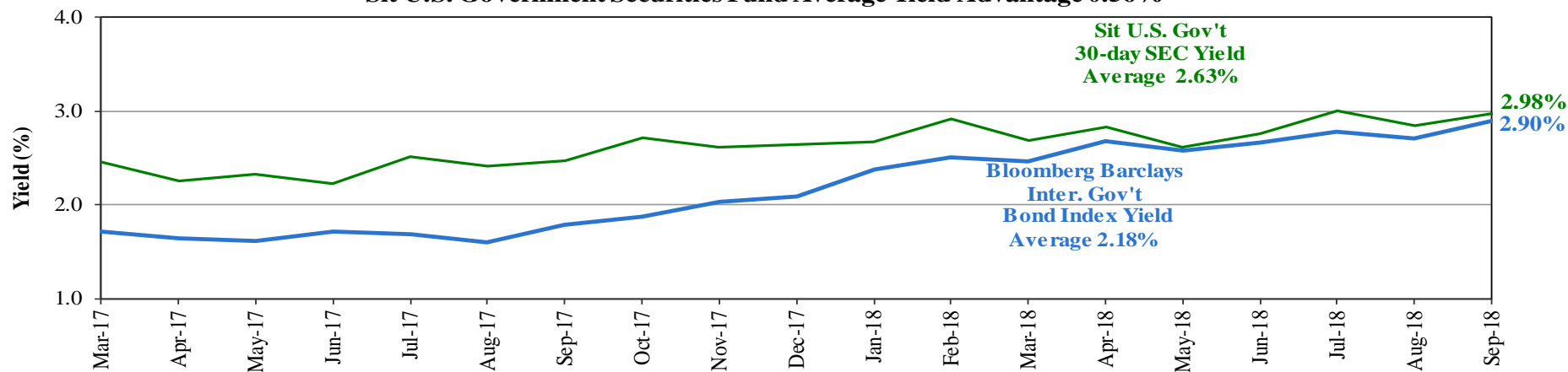
	1 Year	3 Year	5 Year	Since Incept. (12/31/12)
Sit Quality Income Fund (SQIFX)	0.9	0.9	0.7	0.6
Bloomberg Barclays 1-3 Yr Gov't/Credit Index	0.2	0.7	0.8	0.8

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 prices as well as reinvestment of all dividends and capital gains. 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. Please refer to the disclosure section for important information regarding risk and expenses.



## SIT U.S GOVERNMENT SECURITIES FUND VS. BENCHMARK YIELD AND PRICE COMPARISON

Sit U.S. Government Securities Fund Average Yield Advantage 0.56%



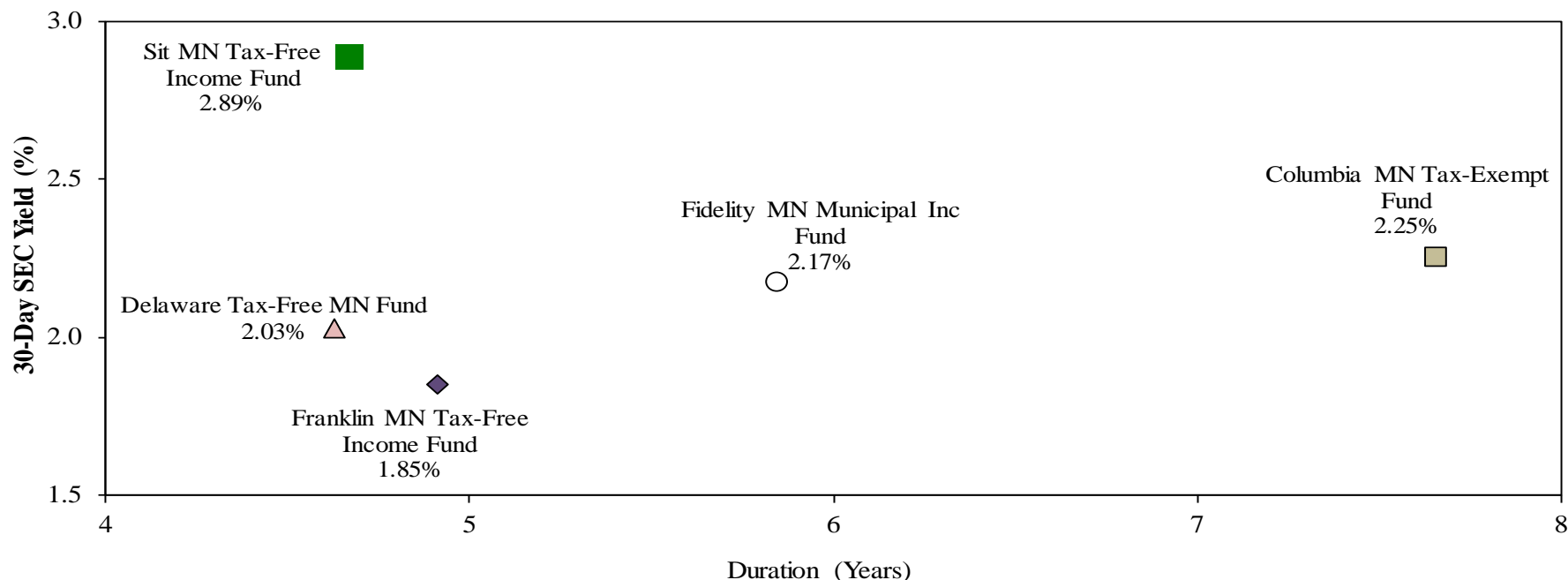
### Average Annual Total Returns (%) as of September 30, 2018

	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>	<u>Since Inception</u>
Sit U.S. Government Securities Fund (SNGVX)	0.8	0.9	1.2	2.3	5.2
Bloomberg Barclays Intermediate Government Bond Index	-1.2	0.2	0.9	2.2	5.3

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 prices as well as reinvestment of all dividends and capital gains. 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. Please refer to the disclosure section for important information regarding risk and expenses.

## FIVE LARGEST MINNESOTA TAX-EXEMPT MUTUAL FUNDS' YIELDS AND DURATION

As of September 30, 2018



### Average Annual Total Returns (%) as of September 30, 2018

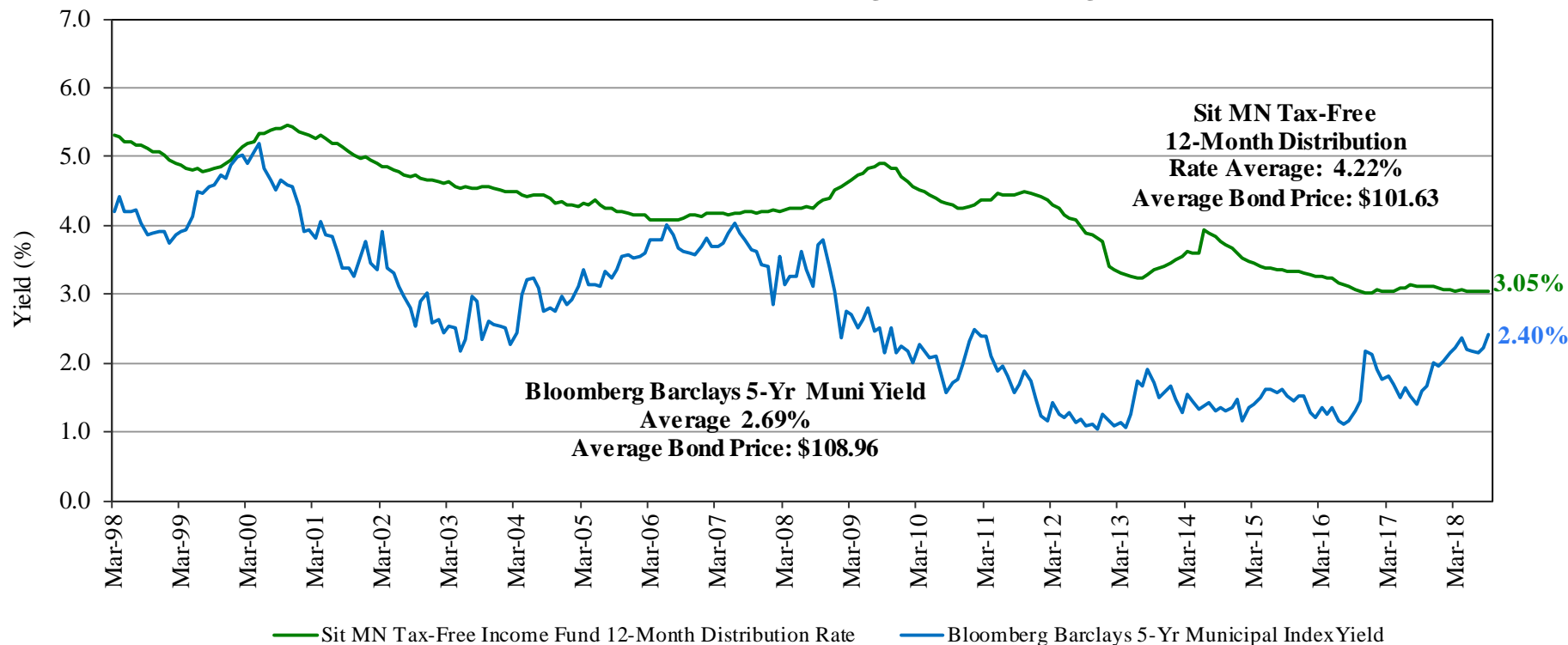
	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
<b>Sit MN Tax-Free Income Fund (SMTFX)</b>	<b>1.8</b>	<b>2.6</b>	<b>4.1</b>	<b>4.9</b>
Columbia MN Tax-Exempt Fund (IMNTX)	0.1	1.9	3.6	4.8
Delaware Tax-Free MN Fund (DEFFX)	0.1	1.7	3.3	4.3
Fidelity MN Municipal Income Fund (FIMIX)	-0.3	1.6	2.7	3.9
Franklin MN Tax-Free Income Fund (FMNQX)	-0.6	1.1	2.5	3.9
Bloomberg Barclays 5-Year Municipal Bond Index	-0.6	1.2	1.9	3.4
Morningstar Muni Minnesota Average	0.0	1.6	3.0	4.1

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 prices as well as reinvestment of all dividends and capital gains. 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. Please refer to the disclosure section for important information regarding risk and expenses.

# SIT MN TAX-FREE INCOME FUND VS. BLOOMBERG BARCLAYS 5-YR MUNICIPAL INDEX

March 31, 1998 – September 30, 2018

**Sit MN Tax-Free Income Fund Average Income Advantage 1.53%**



## Average Annual Total Returns (%) as of September 30, 2018

	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>	<u>Since Inception</u>
Sit MN Tax-Free Income Fund (SMTFX)	1.8	2.6	4.1	4.9	4.6
Bloomberg Barclays 5-Year Municipal Bond Index	-0.6	1.2	1.9	3.4	4.2

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 prices as well as reinvestment of all dividends and capital gains. 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. Please refer to the disclosure section for important information regarding risk and expenses.

# SIT MINNESOTA TAX -FREE INCOME FUND PERFORMANCE SUMMARY

## Average Annual Total Returns (%) as of September 30, 2018

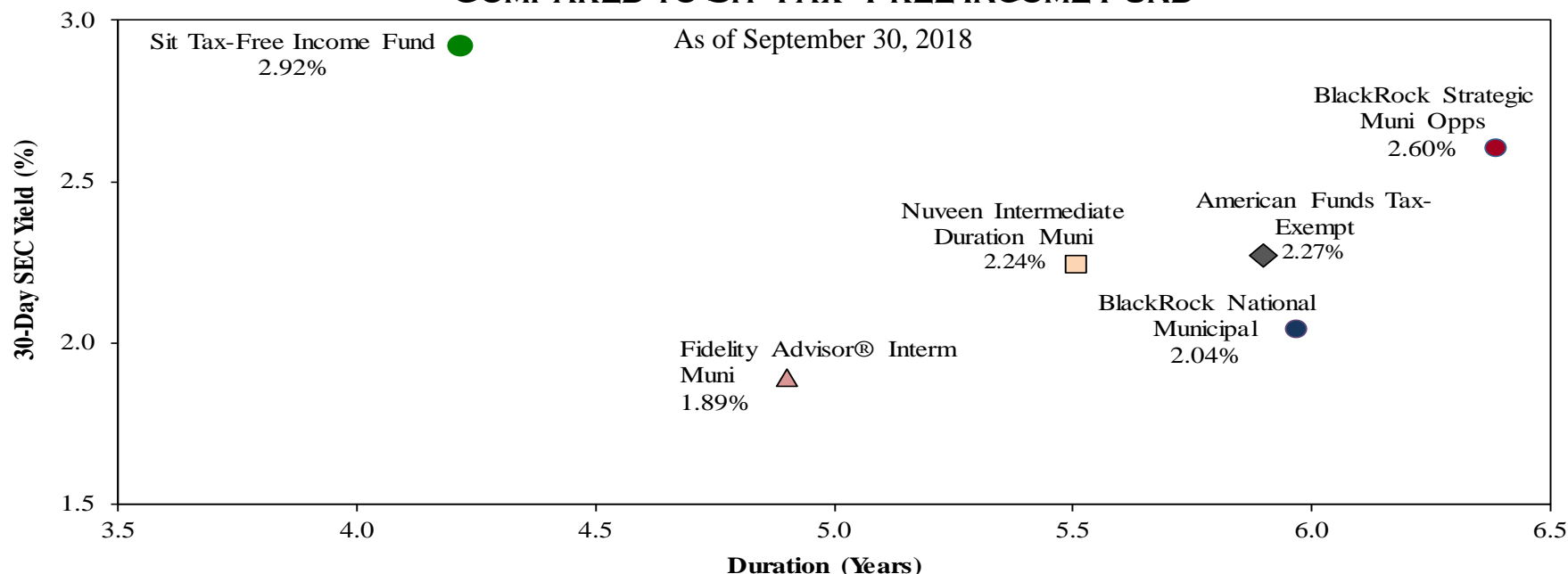
<b>Sector Performance Summary</b>	<u>% of Port.</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
Multi-Family Housing Sector Holdings	20.4%	<b>4.1</b>	<b>4.6</b>	<b>6.3</b>	<b>6.8</b>
Single-Family Housing Sector Holdings	17.9%	<b>0.8</b>	<b>2.7</b>	<b>4.4</b>	<b>5.3</b>
<i>Bloomberg Barclays Housing Index</i>		<i>0.8</i>	<i>2.7</i>	<i>3.9</i>	<i>5.5</i>
Healthcare Sector Holdings	16.7%	<b>1.5</b>	<b>3.4</b>	<b>5.1</b>	<b>6.3</b>
<i>Bloomberg Barclays Healthcare Index</i>		<i>1.3</i>	<i>2.9</i>	<i>4.8</i>	<i>6.1</i>
Education Sector Holdings	13.1%	<b>2.4</b>	<b>3.5</b>	<b>5.7</b>	<b>6.3</b>
<i>Bloomberg Barclays Education Index</i>		<i>0.4</i>	<i>2.3</i>	<i>3.7</i>	<i>5.0</i>
<b>Non-Rated Bond Performance Summary</b>	<u>% of Port.</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
Non-Rated Holdings	27.0 %	<b>4.7</b>	<b>4.6</b>	<b>6.1</b>	<b>6.5</b>
Rated Holdings	73.0 %	<b>0.8</b>	<b>2.8</b>	<b>4.4</b>	<b>5.6</b>
Sit MN Tax-Free Income Fund Gross of Fees		<b>2.6</b>	<b>3.4</b>	<b>4.9</b>	<b>5.7</b>
<i>Sit MN Tax-Free Income Fund Net of Fees</i>		<i>1.8</i>	<i>2.6</i>	<i>4.1</i>	<i>4.9</i>
<i>Bloomberg Barclays 5-Year Muni Bond Index</i>		<i>-0.6</i>	<i>1.2</i>	<i>1.9</i>	<i>3.4</i>

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 prices as well as reinvestment of all dividends and capital gains. 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. Please refer to the disclosure section for important information regarding risk and expenses.

## SIT MINNESOTA TAX-FREE INCOME FUND PORTFOLIO CHARACTERISTICS

QUALITY	12/31/06	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16	12/31/17	9/30/18
AAA	19.6%	17.0%	9.8%	8.2%	6.8%	7.7%	7.1%	5.9%	4.6%	6.5%	4.4%	4.6%	9.9%
AA	10.7	8.1	16.8	18.7	19.1	22.6	19.7	22.4	22.2	24.5	30.2	28.5	28.9
A	10.9	13.5	15.8	16.9	18.8	17.3	16.3	20.8	20.7	20.4	20.0	20.4	16.8
BBB	13.4	17.4	15.5	15.8	15.6	15.8	12.0	13.0	10.2	7.9	7.8	9.9	9.6
<BBB	2.6	3.1	3.1	1.3	1.8	0.6	1.2	1.0	1.4	3.6	5.7	5.9	5.5
CASH EQUIVALENTS	5.2	3.3	1.2	5.0	3.1	3.5	10.2	2.2	9.1	7.8	2.3	4.1	2.3
<b>PERCENT RATED</b>	62.4%	62.4%	62.2%	65.9%	65.2%	67.5%	66.5%	65.3%	68.2%	70.7%	70.4%	73.4%	73.0%
<b>NON-RATED (SIT INTERNAL RATINGS)</b>													
(AAA)	1.7	0.5	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(AA)	1.0	1.0	1.0	0.4	2.7	3.0	1.8	2.6	2.0	1.2	0.0	0.5	0.0
(A)	9.3	7.6	7.5	7.7	3.7	3.0	1.2	0.9	0.8	0.4	0.3	0.9	1.7
(BBB)	17.8	19.1	18.2	15.8	14.4	13.9	11.7	10.0	7.8	8.0	8.7	5.7	4.1
(<BBB)	7.8	9.4	11.1	10.2	13.0	12.6	18.8	21.2	21.2	19.7	20.6	19.5	21.2
<b>PERCENT NON-RATED</b>	37.6%	37.6%	37.8%	34.1%	34.8%	32.5%	33.5%	34.7%	31.8%	29.3%	29.6%	26.6%	27.0%
<b>TOTAL PORTFOLIO</b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>AVERAGE RATING</b>	A2 / A	A2 / A	A3/A-	A2 / A	A3 / A-	A2 / A	A2 / A	A3 / A-	A2 / A	A3 / A-	A3 / A-	A3 / A-	A2 / A
<b>PORTFOLIO COMPOSITION</b>													
HOUSING	27.2%	28.9%	32.1%	32.5%	34.1%	34.4%	31.0%	39.1%	36.4%	36.6%	36.7%	35.6%	38.1%
SINGLE FAMILY	4.6	7.5	12.2	14.6	12.4	17.3	12.5	17.6	16.6	15.8	15.6	15.4	17.8
MULTI FAMILY	22.6	21.4	19.9	17.9	21.7	17.1	18.5	21.5	19.8	20.8	21.0	20.1	20.3
HOSPITAL	21.5	25.1	25.5	22.1	20.1	19.1	17.2	16.4	16.2	14.9	17.2	16.8	16.7
OTHER REVENUE	8.7	9.7	9.9	11.4	13.4	13.1	12.7	13.3	10.9	10.9	9.2	8.1	6.4
EDUCATION	9.2	12.4	11.0	10.5	10.5	11.5	11.1	11.6	11.0	11.7	14.3	14.1	13.0
UTILITIES	0.8	3.8	6.4	5.3	7.2	5.6	5.0	4.8	5.2	4.2	4.8	4.8	4.2
INSURED	8.7	5.2	4.9	3.7	3.6	3.0	2.8	1.1	1.7	1.3	0.5	0.5	0.5
LEASES	3.3	2.5	2.4	2.2	2.5	2.9	4.2	4.3	4.5	4.8	7.0	6.8	6.4
IDR/PCR	5.7	2.7	3.5	2.7	2.6	2.1	1.3	1.2	0.3	0.2	0.2	0.6	0.5
ESC. TO MAT/PRE REF	6.6	4.3	0.3	2.1	0.0	0.0	0.3	1.4	0.9	3.3	1.9	3.6	3.5
MUTUAL FUNDS	0.0	1.0	0.8	0.9	0.8	0.8	1.0	1.7	1.4	1.3	1.3	1.2	1.0
GENERAL OBLIGATION	2.4	0.6	1.5	0.8	0.5	2.5	2.2	2.0	1.5	2.7	4.0	3.4	7.0
INSURED - G.O.	0.2	0.1	0.0	0.4	1.0	1.0	0.7	0.7	0.6	0.1	0.1	0.1	0.2
PUBLIC FACILITIES	0.5	0.4	0.5	0.4	0.6	0.5	0.3	0.3	0.3	0.2	0.5	0.3	0.2
CASH EQUIVALENTS	5.2	3.3	1.2	5.0	3.1	3.5	10.2	2.1	9.1	7.8	2.3	4.1	2.3
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<b>STATED MATURITY (Yrs)</b>	14.0	15.5	14.6	14.7	15.4	16.1	14.5	16.6	15.3	15.2	16.5	15.7	16.4
<b>WEIGHTED AVG CPN</b>	5.4	5.3	5.3	5.1	5.4	5.2	4.6	5.0	4.5	4.5	4.7	4.5	4.5
<b>WEIGHTED AVG PRICE</b>	102.9	98.5	84.3	97.1	95.7	100.9	104.2	97.0	103.5	103.9	102.0	104.8	101.6
<b>DURATION TO AVERAGE LIFE (Yrs)</b>	4.2	4.9	5.1	4.9	5.5	5.4	4.2	5.4	4.7	4.8	5.8	4.2	4.7

## FIVE LARGEST NATIONAL FUNDS' YIELD AND DURATION COMPARED TO SIT TAX-FREE INCOME FUND



### Average Annual Total Returns (%) as of September 30, 2018

	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
<b>Sit Tax-Free Income Fund (SNTIX)</b>	<b>2.7</b>	<b>3.6</b>	<b>5.5</b>	<b>5.3</b>
American Funds Tax-Exempt (AFTEX)	0.6	2.3	3.7	4.7
BlackRock National Municipal (MDNLX)	0.6	2.1	3.6	5.0
BlackRock Strategic Muni Opps (MEMTX)	2.9	4.1	4.4	5.2
Fidelity Advisor® Interm Muni (FZIAX)	-0.2	1.4	2.3	3.3
Nuveen Intermediate Duration Muni (NMBAX)	0.9	2.3	3.2	4.1
Bloomberg Barclays 5-Year Municipal Index	-0.6	1.2	1.9	3.4
Morningstar Muni National Intermediate Average	0.0	1.8	2.9	4.0

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 prices as well as reinvestment of all dividends and capital gains. 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. Please refer to the disclosure section for important information regarding risk and expenses.

# SIT NATIONAL TAX -FREE INCOME FUND PERFORMANCE SUMMARY

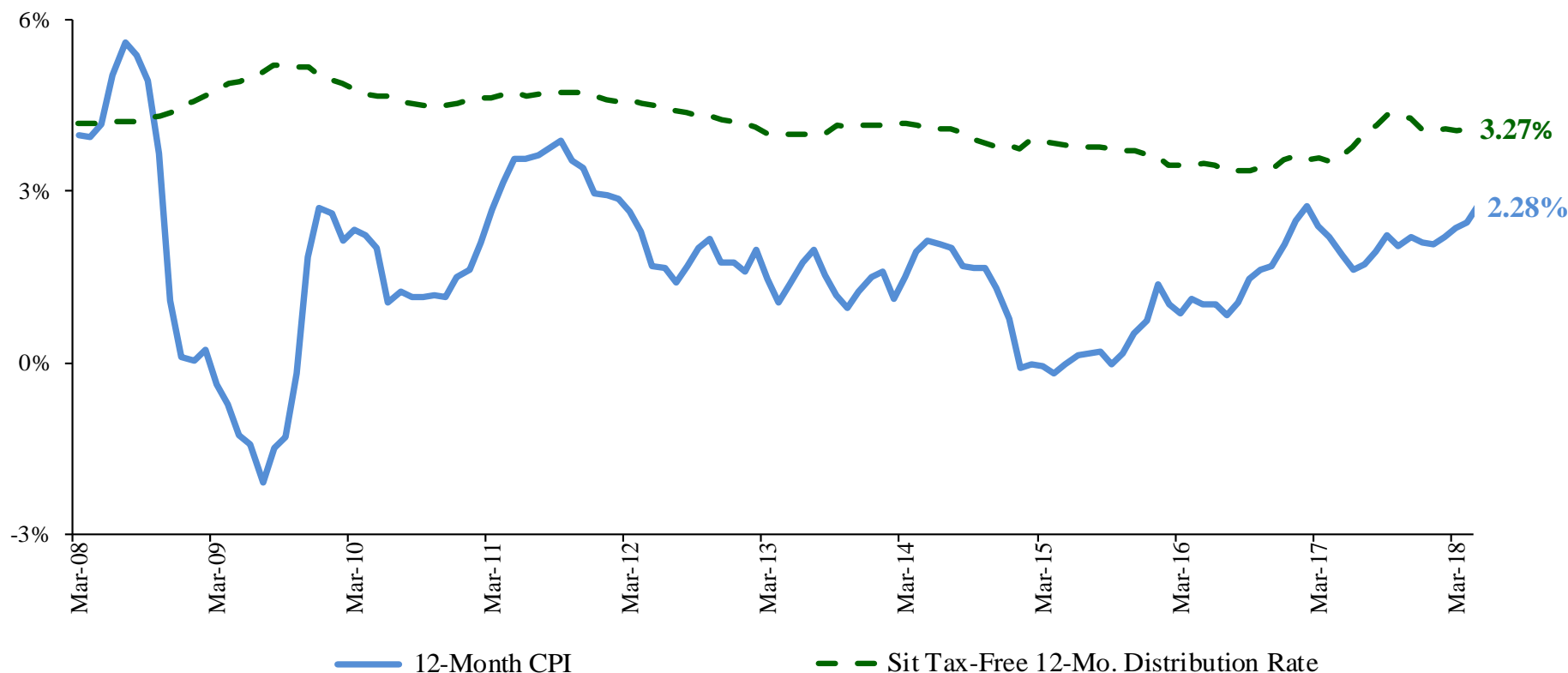
## Average Annual Total Returns (%) as of September 30, 2018

<b>Sector Performance Summary</b>	<u>% of Port.</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
Multi-Family Housing Sector Holdings	23.4%	<b>3.3</b>	<b>4.7</b>	<b>7.2</b>	<b>5.2</b>
Single-Family Housing Sector Holdings	25.1%	<b>1.0</b>	<b>3.2</b>	<b>5.5</b>	<b>5.0</b>
<i>Bloomberg Barclays Housing Index</i>		0.8	2.7	3.9	5.5
<b>Non-Rated Bond Performance Summary</b>	<u>% of Port.</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
Non-Rated Holdings	20.5 %	<b>7.5</b>	<b>6.5</b>	<b>7.5</b>	<b>5.6</b>
Rated Holdings	79.5 %	<b>1.3</b>	<b>3.9</b>	<b>6.2</b>	<b>6.7</b>
Sit Tax-Free Income Fund Gross of Fees		<b>3.5</b>	<b>4.5</b>	<b>6.3</b>	<b>6.1</b>
<i>Sit Tax-Free Income Fund Net of Fees</i>		2.7	3.6	5.5	5.3
<i>Bloomberg Barclays 5-Year Muni Bond Index</i>		-0.6	1.2	1.9	3.4

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 prices as well as reinvestment of all dividends and capital gains. 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. Please refer to the disclosure section for important information regarding risk and expenses.

## SIT TAX-FREE INCOME FUND 12-MONTH DISTRIBUTION RATE

March 31, 2008 – September 30, 2018



Source: U.S. Consumer Price Index Urban Consumers NSA

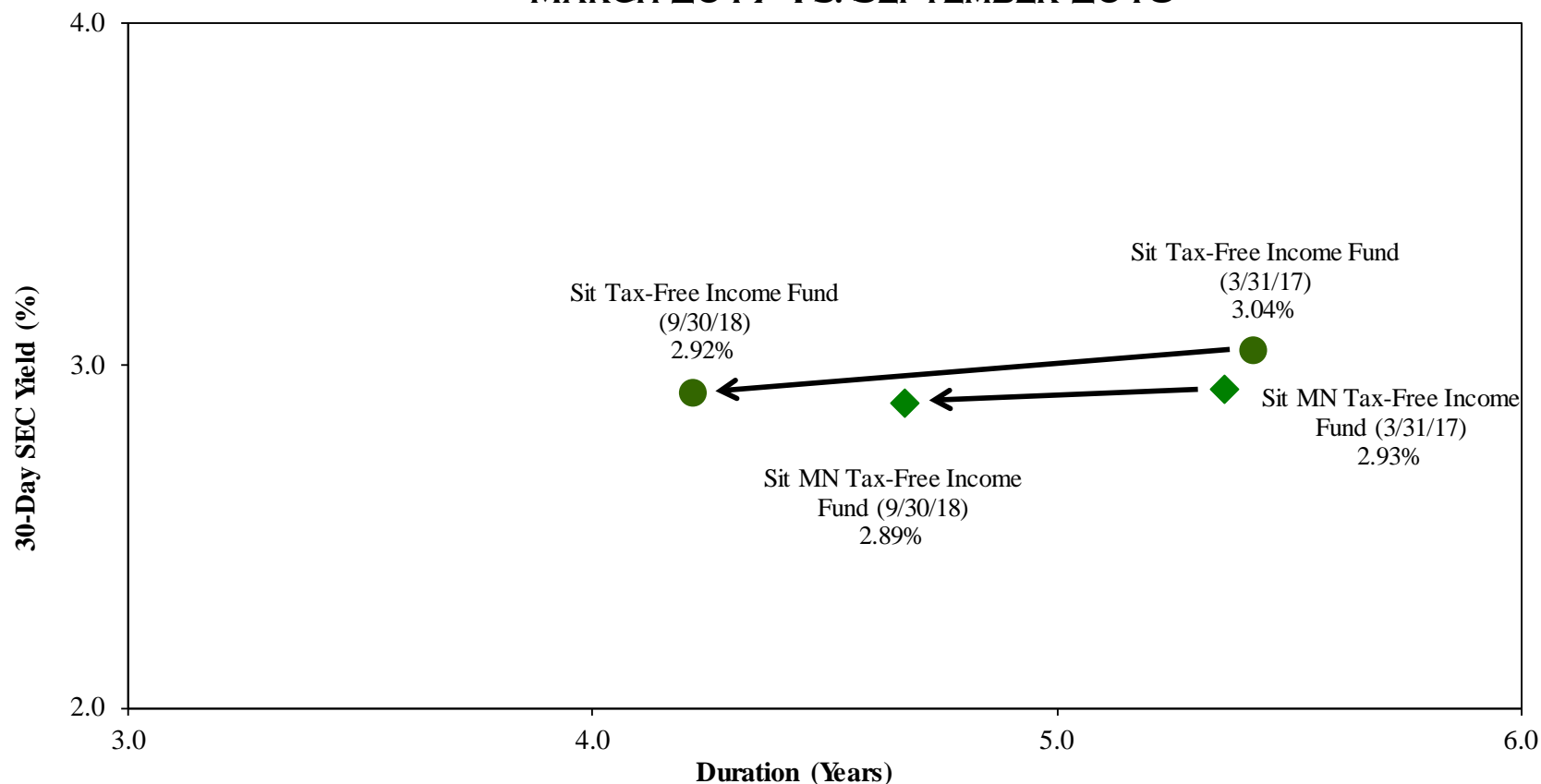
### Average Annual Total Returns (%) as of September 30, 2018

	1 Year	3 Year	5 Year	10 Year	Since Inception
<b>Sit Tax-Free Income Fund (SNTIX)</b>	2.7	3.6	5.5	5.3	5.2
<b>Bloomberg Barclays 5-Year Municipal Index</b>	-0.6	1.2	1.9	3.4	4.9

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 prices as well as reinvestment of all dividends and capital gains. 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. Please refer to the disclosure section for important information regarding risk and expenses.



## TAX - FREE INCOME FUNDS' YIELDS AND DURATIONS MARCH 2017 Vs. SEPTEMBER 2018



### Average Annual Total Returns (%) as of September 30, 2018

	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>	<u>Since Inception</u>
Sit Minnesota Tax-Free Income Fund (SMTFX)	1.8	2.6	4.1	4.9	4.6
Sit Tax-Free Income Fund (SNTIX)	2.7	3.6	5.5	5.3	5.2
Bloomberg Barclays 5-Year Municipal Index	-0.6	1.2	1.9	3.4	4.2

\* 12/1/93 Inception

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 prices as well as reinvestment of all dividends and capital gains. 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. Please refer to the disclosure section for important information regarding risk and expenses.

---

## DISCLOSURES

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 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](http://www.sitfunds.com). Read the prospectus carefully before investing.

Fund holdings, sector allocations (as % of market value) and portfolio characteristics may change at any time and are not investment recommendations.

The **Bloomberg Barclays Intermediate Government Index** is a sub-index of the Barclays Government Bond Index covering issues with remaining maturities of between three and five years. **The Bloomberg Barclays Government Bond Index** is an index that measures the performance of all public U.S. government obligations with remaining maturities of one year or more. **The Bloomberg Barclays 1-3 Year U.S. Government/Credit Index** includes all medium and larger issues of U.S. government, investment-grade corporate, and investment-grade international dollar-denominated bonds that have maturities of between 1 and 3 years and are publicly issued. **The Bloomberg Barclays 5-Year Municipal Bond Index** is an unmanaged index of long-term, fixed-rate, investment-grade, tax-exempt bonds representative of the municipal bond market and is the 5-year (4-6) component of the Bloomberg Barclays Municipal Bond Index. **The Bloomberg Barclays Municipal Index** is an unmanaged index considered representative of the tax-exempt bond market. The index returns include the reinvestment of income and do not include any transaction costs, management fees or other costs. It is not possible to invest directly in an index.

## DISCLOSURES - CONTINUED

**Duration** is a measure of estimated price sensitivity relative to changes in interest rates. Portfolios with longer durations are typically more sensitive to changes in interest rates. For example, if interest rates rise by 1%, the market value of a security with an effective duration of 5 years would decrease by 5%, with all other factors being constant. The correlation between duration and price sensitivity is greater for securities rates investment-grade than it is for securities rated below investment-grade. Duration estimates are based on assumptions by Sit Investment and are subject to a number of limitations.

**Effective duration** is calculated based on historical price changes of securities held by the Fund, and therefore is a more accurate estimate of price sensitivity provided interest rates remain within their historical range.

Investment in debt securities typically decrease in value when interest rates rise. The risk is usually greater for longer-term debt securities. Mortgage-backed securities involve risk of loss due to prepayments and defaults.

### Average Annual Total Returns (%) as of September 30, 2018

	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>	<u>Since Inception</u>
<b><u>Taxable</u></b>					
Sit U.S. Government Securities Fund (SNGVX)	0.8	0.9	1.2	2.3	5.2
Bloomberg Barclays Intermediate Government Index	-1.2	0.2	0.9	2.2	5.3
Sit Quality Income Fund (SQIFX)	0.9	0.9	0.7	n/a	#N/A
Bloomberg Barclays 1-3 Year Gov't/Credit Index	0.2	0.7	0.8	n/a	0.8
<b><u>Tax-Free</u></b>					
Sit Minnesota Tax-Free Income Fund (SMTFX)	1.8	2.6	4.1	4.9	4.6 *
Sit Tax-Free Income Fund (SNTIX)	2.7	3.6	5.5	5.3	5.2
Bloomberg Barclays 5-Year Municipal Index	-0.6	1.2	1.9	3.4	4.2 *
Bloomberg Barclays Municipal Index	0.3	2.2	3.5	4.8	4.9

\* 12/1/93 Inception

---

## DISCLOSURES - CONTINUED

This summary may contain the collective opinions of our analysts and portfolio managers, and is provided for informational purposes only. While the information is accurate at the time of writing, such information is subject to change at any time without notice. Before you invest, please read the prospectus carefully.

Investment in debt securities typically decrease in value when interest rates rise. The risk is usually greater for longer-term debt securities. Mortgage-backed securities involve risk of loss due to prepayments and defaults. Income from tax-exempt funds may be subject to state & local taxes, and a portion of income may be subject to federal income tax including the alternative minimum tax (AMT). Capital gains distributions, if any, will be subject to tax.

### **Risks specific to Sit U.S. Government Securities Fund**

Fixed-income securities present issuer default risk. Securities held by the Fund may not be backed by the full faith and credit of the United States. Market risk may affect a single issuer, sector of the economy, industry or the market as a whole. An increase in interest rates may lower the value of the fixed-income securities held by the Fund. Declining interest rates may compel borrowers to prepay mortgages and debt obligations underlying the mortgage-backed securities owned by the Fund. The proceeds received by the Fund from prepayments may be reinvested at interest rates lower than the original investment, thus resulting in a reduction of income to the Fund. Rising rates could reduce prepayments and extend the life of securities with lower interest rates, which may increase the sensitivity of the Fund's value to rising interest rates. There may be limited liquidity for certain fixed-income securities. The Fund may hold securities for which prices from pricing services may be unavailable or are deemed unreliable.

---

## DISCLOSURES - CONTINUED

### **Risks specific to Sit MN Tax-Free Fund**

Fixed-income securities present issuer default risk, and the revenue bonds in which the Fund invests may entail greater credit risk than the Fund's investments in general obligation bonds. Market risk may affect a single issuer, sector of the economy, industry or the market as a whole. Tax, legislative, regulatory, demographic or political changes in Minnesota, as well as changes impacting Minnesota's financial, economic or other conditions may adversely impact the Fund. The Fund may be more adversely affected than other funds by future changes in federal or state income tax laws. A relatively small number of Minnesota tax-exempt issuers may necessitate the Fund investing a larger portion of its assets in a limited number of issuers than a more diversified fund, and the Fund may be more susceptible to an single economic, political or regulatory occurrence than a more diversified fund. The Fund invests a significant portion of its assets in certain sectors including health care facility bonds, housing authority bonds, and education bonds, and therefore the Fund may be more affected by events influencing these sectors than a fund that is more diversified across numerous sectors. Call risk exists as a fixed-income security may be called, prepaid or redeemed before maturity and that similar-yielding investments may not be available for purchase. An increase in interest rates may lower the value of the fixed-income securities held by the Fund. Falling interest rates may lower the income earned by the Fund and result in the Fund investing in lower-yielding securities., lowering the Fund's income and yield. Federal and state tax rules apply to capital gain distributions and any gains or losses on sales. Income may be subject to state, local or alternative minimum taxes. There may be limited liquidity for certain fixed-income securities. The Fund may hold securities for which prices from pricing services may be unavailable or are deemed unreliable.

### **Risks specific to Tax-Free Fund**

Fixed-income securities present issuer default risk, and the revenue bonds in which the Fund invests may entail greater credit risk than the Fund's investments in general obligation bonds. Market risk may affect a single issuer, sector of the economy, industry or the market as a whole. The Fund's municipal securities may be particularly affected by the political, demographic, legislative and economic conditions and developments in the issuing states and their political subdivisions, and the Fund may be more adversely affected than other funds by future changes in federal or state income tax laws. The Fund invests a significant portion of its assets in certain sectors including health care facility bonds, housing authority bonds, and education bonds, and therefore the Fund may be more affected by events influencing these sectors than a fund that is more diversified across numerous sectors. Call risk exists as a fixed-income security may be called, prepaid or redeemed before maturity and that similar-yielding investments may not be available for purchase. An increase in interest rates may lower the value of the fixed-income securities held by the Fund. Falling interest rates may lower the income earned by the Fund and result in the Fund investing in lower-yielding securities., lowering the Fund's income and yield. Federal and state tax rules apply to capital gain distributions and any gains or losses on sales. Income may be subject to state, local or alternative minimum taxes. There may be limited liquidity for certain fixed-income securities. The Fund may hold securities for which prices from pricing services may be unavailable or are deemed unreliable.