



THE GLOBAL ECONOMIC & INVESTMENT ENVIRONMENT AND STRATEGY

OCTOBER 2018

**PRESENTED BY ROGER J. SIT
CEO & CHIEF INVESTMENT OFFICER**

GLOBAL ECONOMIC & INVESTMENT ENVIRONMENT AND STRATEGY

- 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.**
- II. We are positive on the equity market and think there could be continued appreciation in 2018 and 2019. Market volatility however, will likely increase.**
- III. We are in a stock picker's market. Strong fundamentals and quality earnings are needed for stock price appreciation and for sustaining price appreciation.**
- IV. Our equity investment strategy is a diversified "barbell" portfolio that focuses on potential beneficiaries from pro-growth, President Trump 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.**

GLOBAL ECONOMIC & INVESTMENT ENVIRONMENT

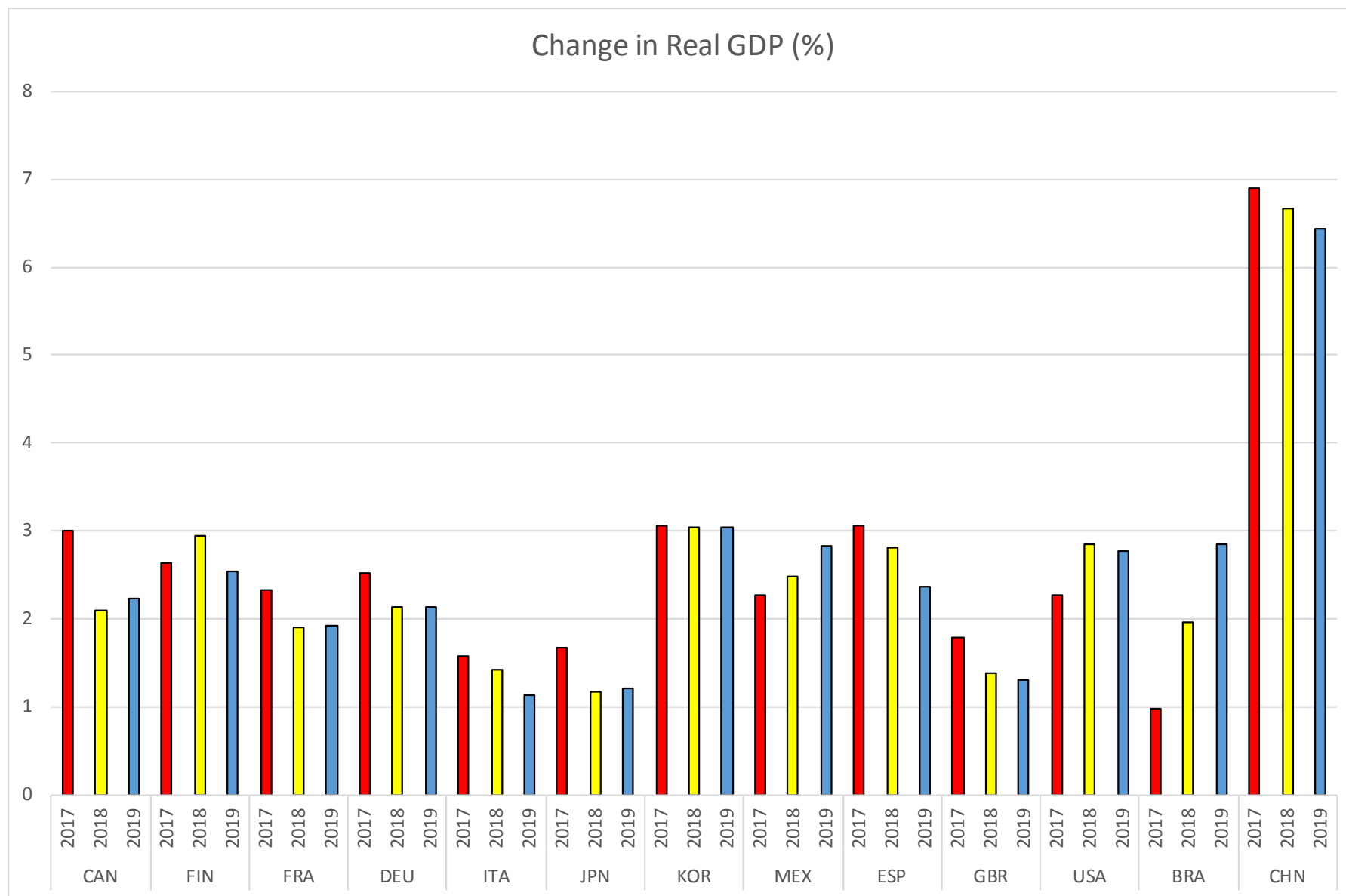
I. Current fundamentals support at least modest 2.5% - 3.5% economic growth in the U.S. and globally over the next couple of years.

- The U.S. is benefiting from pro-growth presidential actions of tax reform, deregulation, repatriation of corporate cash, infrastructure/capital spending and other pro-business policies. These pro-growth actions have been partially offset by reduction in easy monetary policy, trade tariffs, trade war fears, strengthening U.S. dollar, and immigration. The bi-partisan spending deal could help growth in the near term, but would be a drag in the long run.
- Worldwide synchronized economic expansion is also occurring. Euroland growth (while modest) is experiencing expansion in Germany, with respectable growth prospects for the rest of the continent. Japan is improving slightly, helped by very accommodative monetary policy. China growth, while estimated to increase in the 6.0%-6.5% range, is experiencing softness and requiring additional government assistance. Trade tariffs appear to be having some impact. U.K. growth has held up; however, is still very uncertain due to Brexit.
- Inflation globally appears to be rising modestly. This will allow central banks worldwide to move gradually versus aggressively. We think monetary policies outside the U.S. will continue to be favorable. In the U.S., we believe the Federal Reserve will become less accommodative in a systematic, data dependent manner.

GLOBAL ECONOMIC ASSUMPTIONS

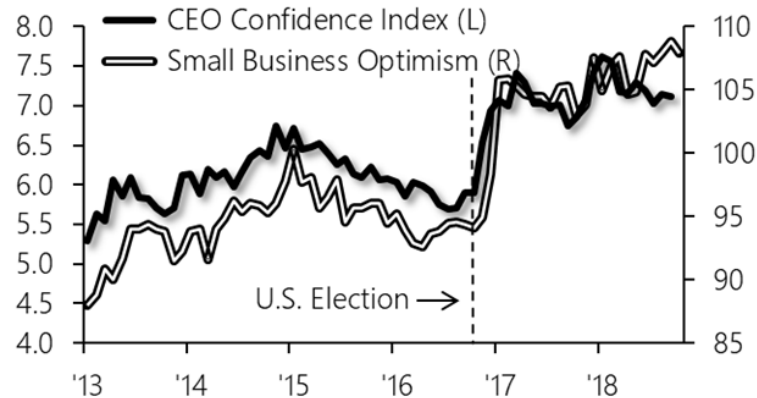
	GDP GROWTH				INFLATION			
	2017A	2018E	2019E	2017-2021 (5 Yr CAGR)	2017A	2018E	2019E	2017-2021 (5 Yr AVG)
Global Economy	3.1%	3.1%	3.0%	3.0%	2.1%	2.5%	2.4%	2.4%
United States	2.2	2.8	2.7	2.5	2.1	2.7	2.5	2.4
Euro Area	2.5	2.2	2.0	2.1	1.8	1.8	1.8	1.8
United Kingdom	1.7	1.3	1.5	1.5	2.7	2.5	2.1	2.3
Japan	1.7	1.0	1.0	0.9	0.5	1.0	1.0	0.7
Asia Ex Japan	6.2	6.0	5.8	5.9	1.9	2.4	2.5	2.4
Latin America	1.8	1.6	2.3	2.1	6.5	7.4	6.7	6.8

WORLD'S MAJOR ECONOMIES ARE GROWING



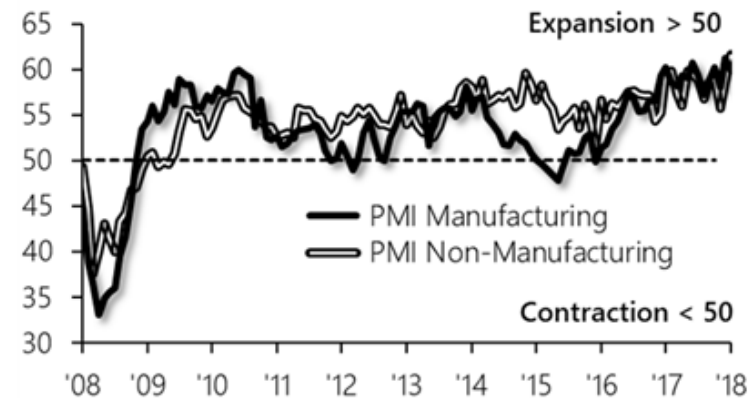
U.S. DATA SOLID

Business Confidence
United States



Source: Chief Executive Magazine, NFIB

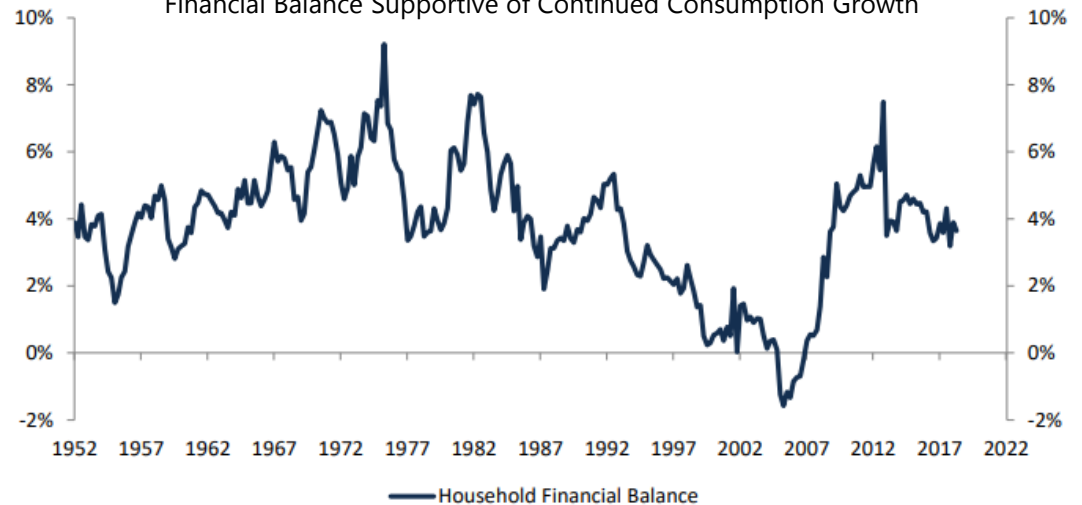
ISM Report on Business
United States



Source: Institute of Supply Management



Financial Balance Supportive of Continued Consumption Growth



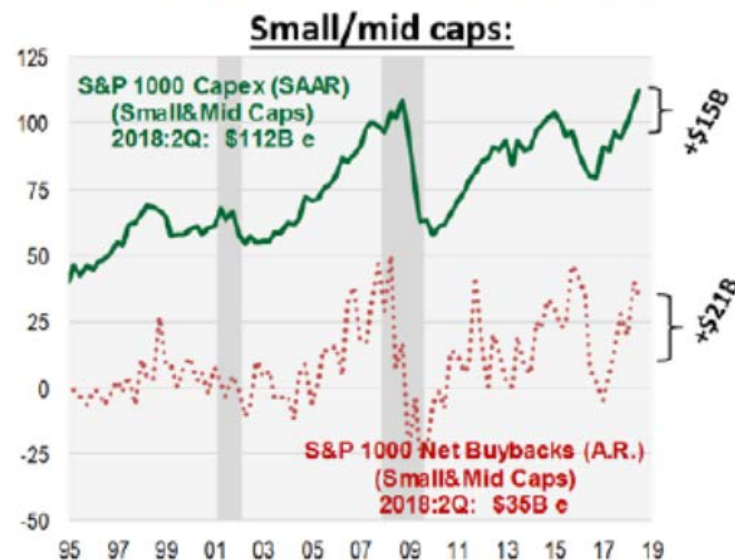
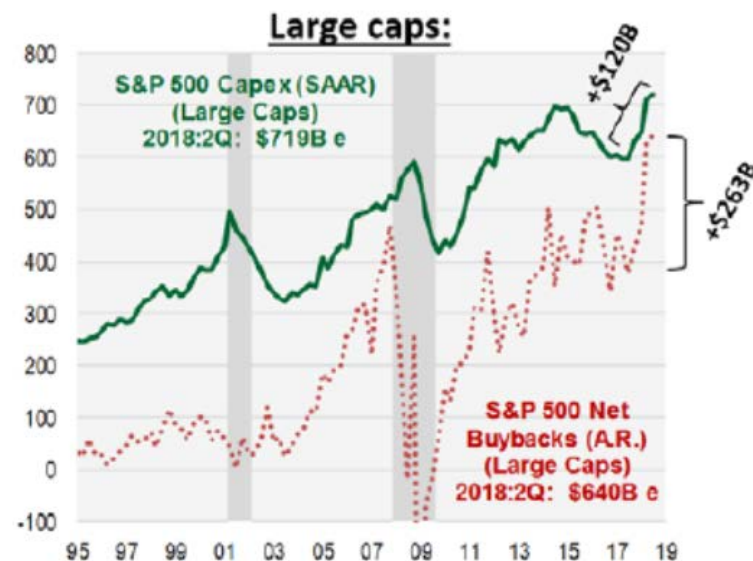
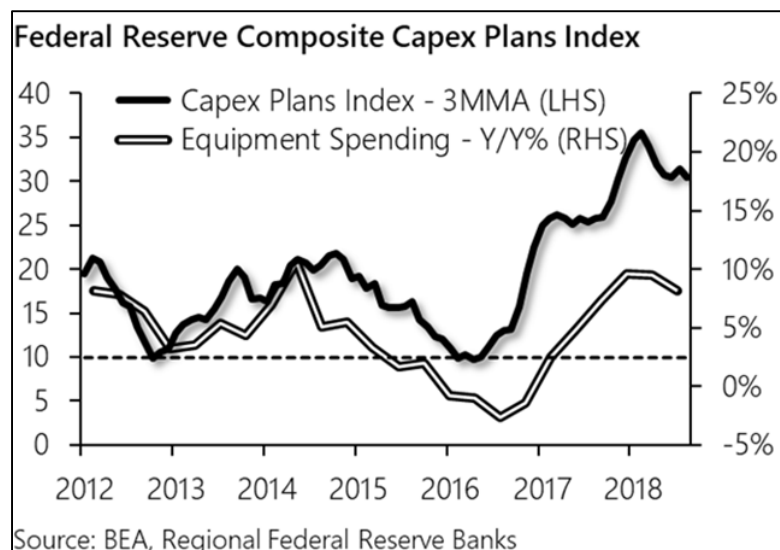
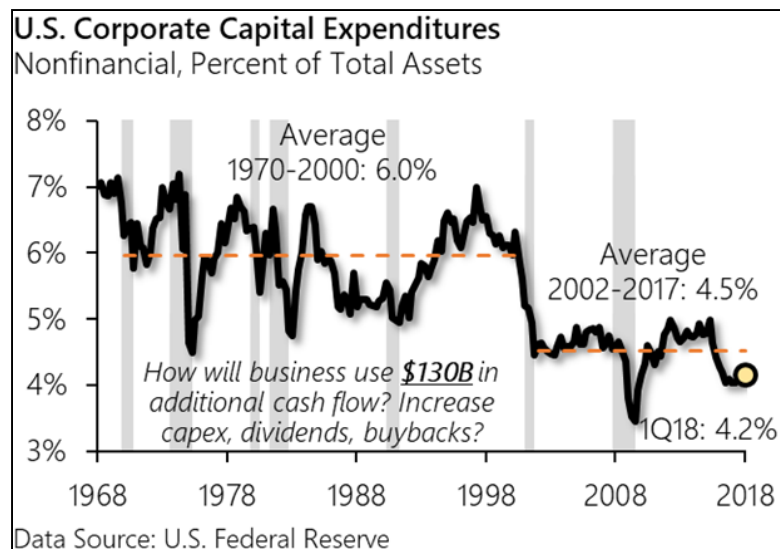
Source: Chief Executive Magazine, NFIB 9/30/18, Institute of Supply Management, 9/30/18, Investors Business Daily 10/6/18, Evercore ISI 10/10/18

TAX RECONCILIATION ACT OF 2017

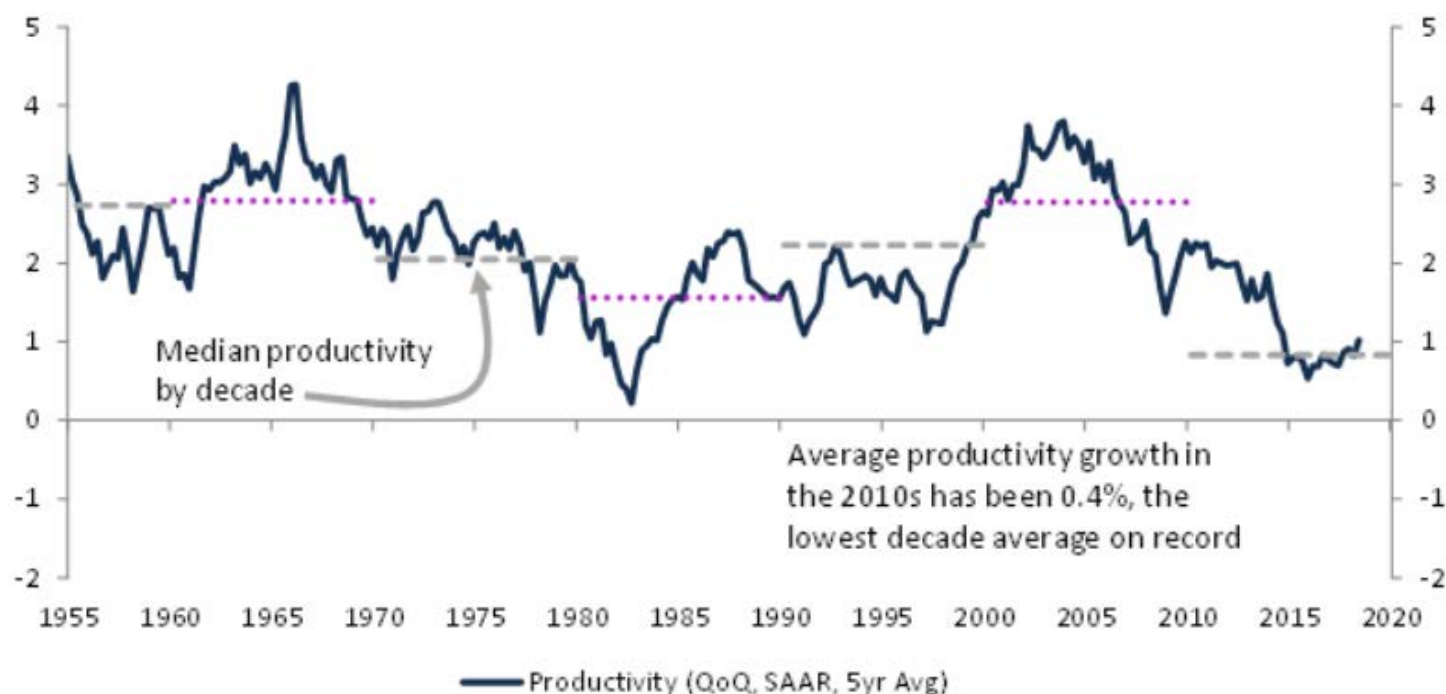
Corporate Changes

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

CAPITAL SPENDING IS A TOP PRIORITY

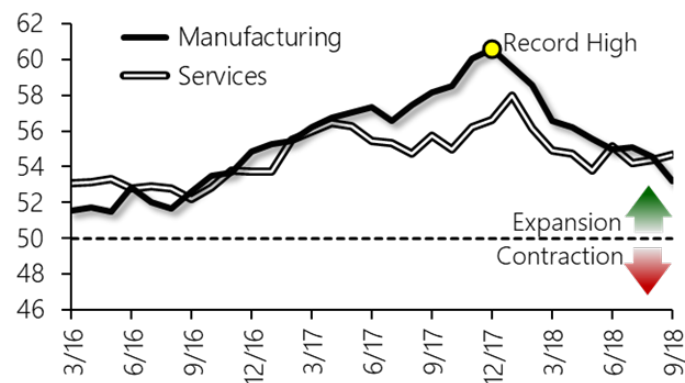


LOW PRODUCTIVITY GROWTH IN THE U.S. SUPPRESSING GROWTH



EUROZONE INDICATORS IMPROVING MODESTLY

Euro Area Purchasing Managers Index

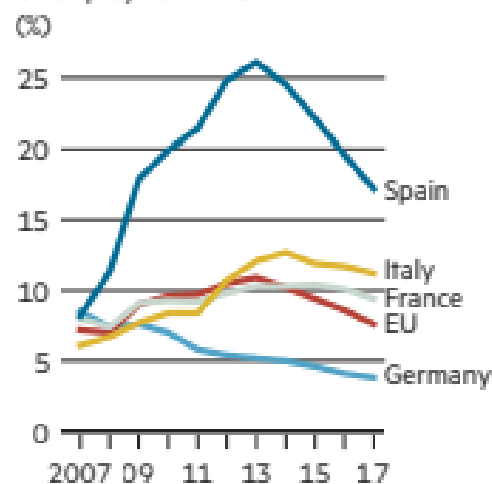


Confidence Indicators
Euro Area

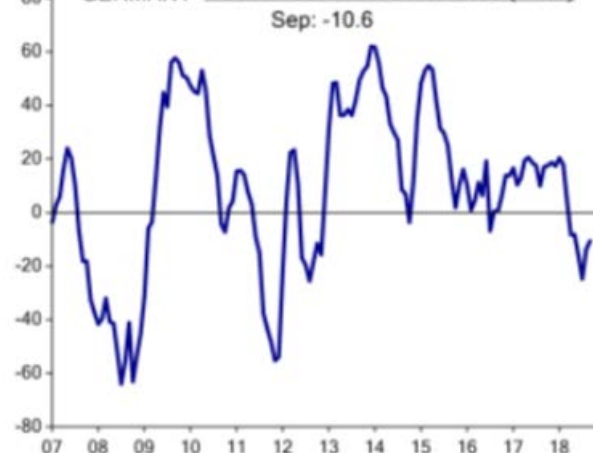


Source: Eurostat, ZEW

Unemployment rate (%)



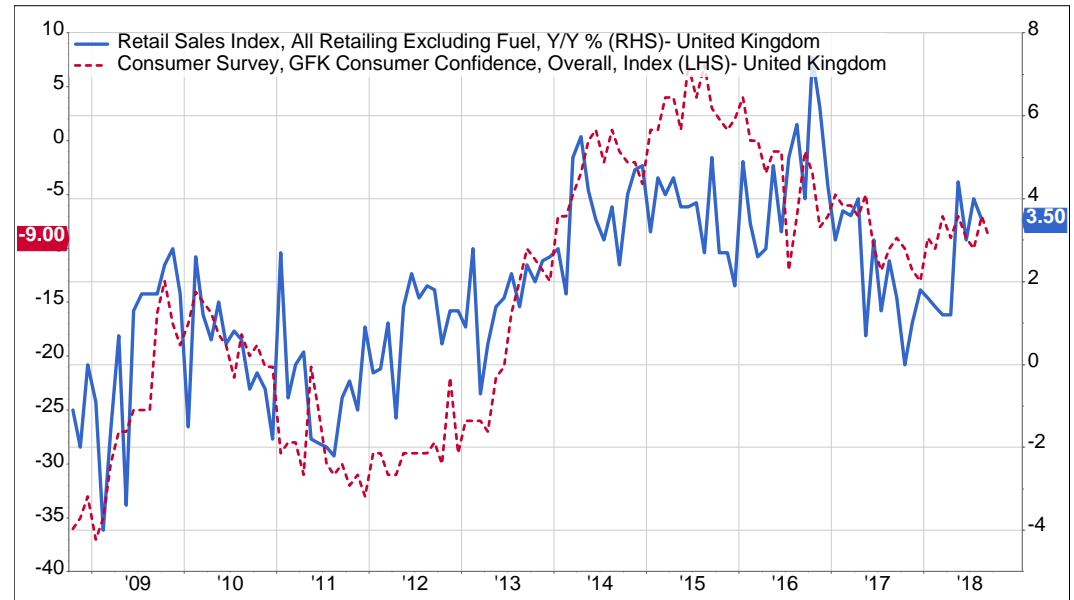
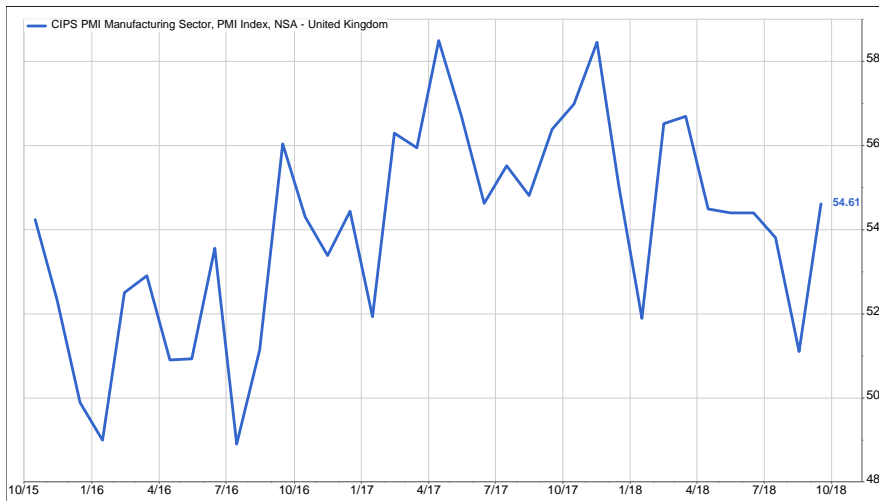
GERMANY BUSINESS EXPECTATIONS (ZEW)



GERMANY COMPOSITE PMI



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

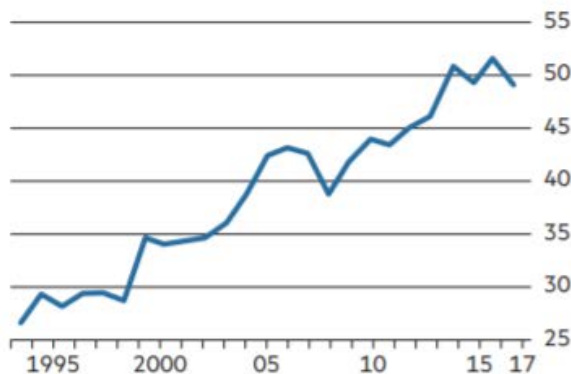
Beyond

- 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

JAPAN IMPROVING

Japanese companies are cash rich

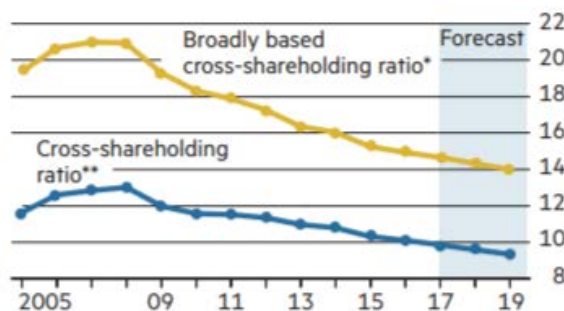
% of non-financial stocks that have net-cash balances



Sources: CLSA; Nomura Institute of Capital Markets Research; Jefferies

Cross-shareholding ratio in Japan

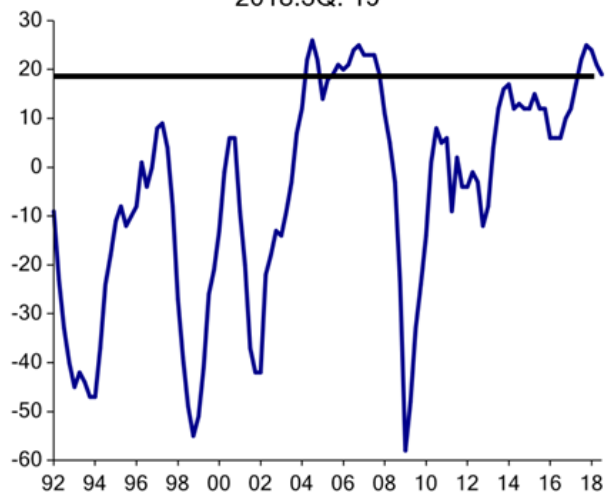
Market value of shares held by listed companies with holdings in other listed companies as % of total



* Listed banks, non-financial companies and insurers

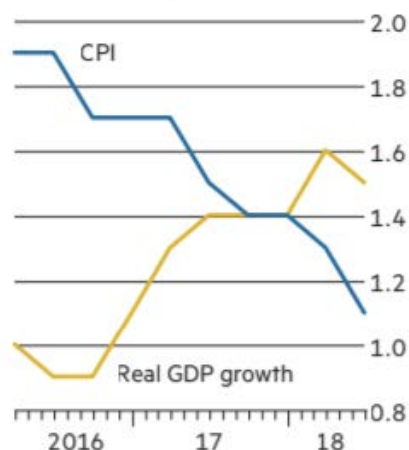
** Listed banks and non-financial companies only

JAPAN TANKAN Large Mfg Cos 2018:3Q: 19



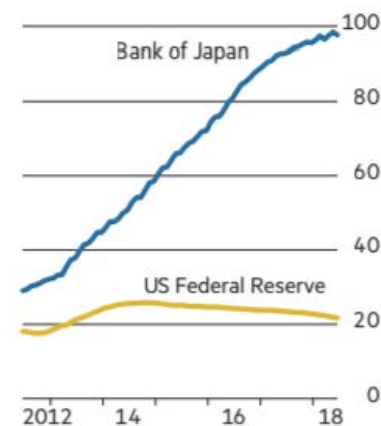
How the Bank of Japan sees the economy in 2018

Annual % change



Central banks' balance sheets

As a % of GDP

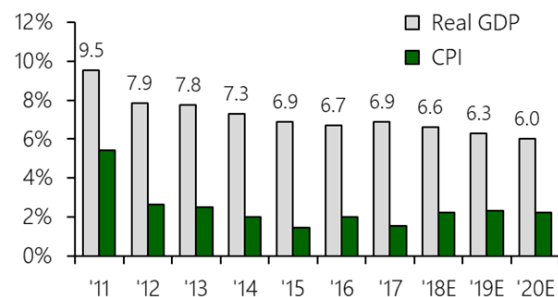


Sources: Bloomberg; BoJ Outlook for Economic Activity and Prices

CHINA GROWTH IMPROVING, BUT SEEING SOME SOFTNESS

China Real GDP and CPI

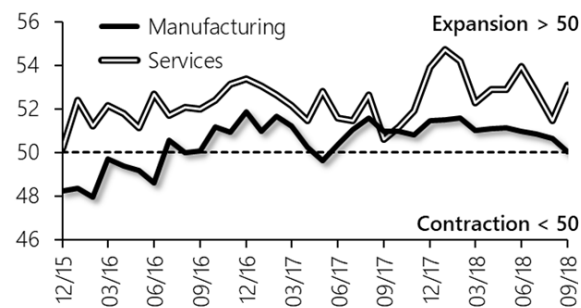
Consensus, Y/Y%



Source: FactSet

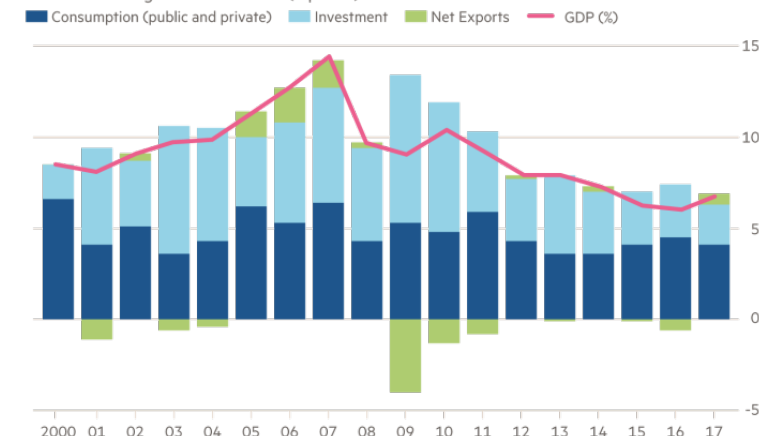
Purchasing Managers Index

China



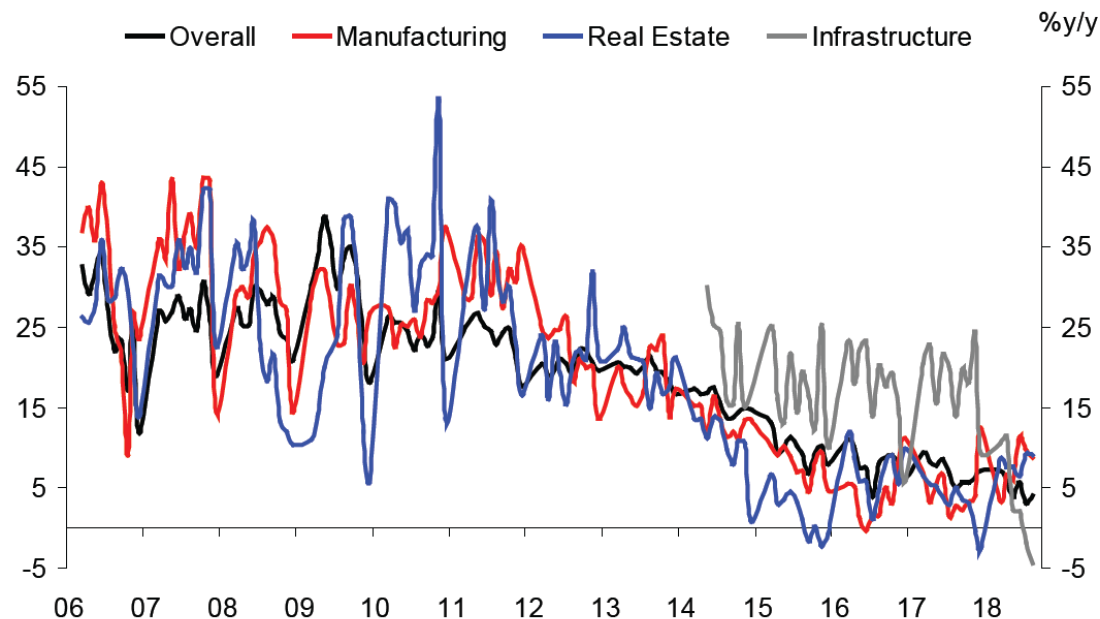
Source: Markit/Caixin

Contributions to growth in real GDP (% points)



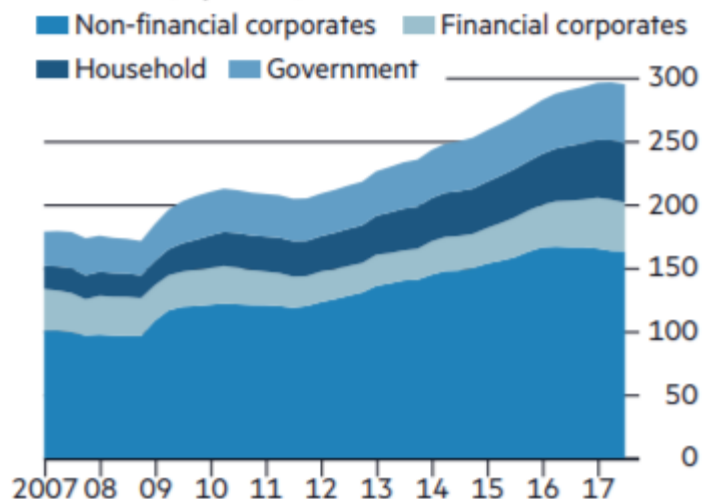
%/y

China : Fixed Asset Investment

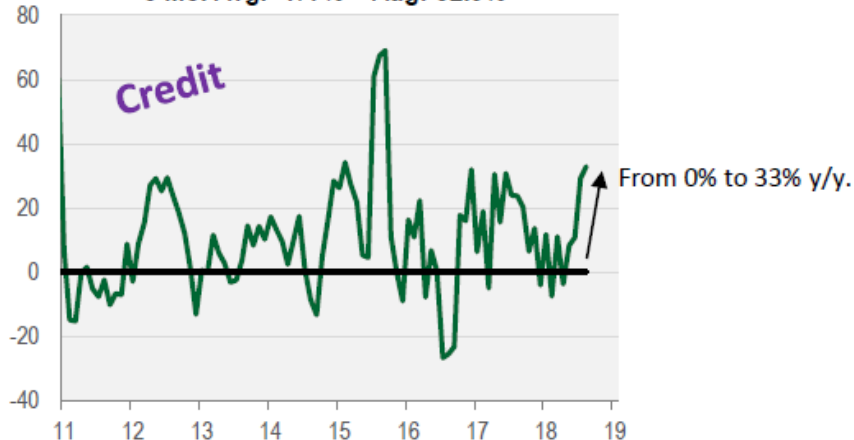


CHINA IS REBALANCING, BUT THERE ARE RISKS

Chinese debt, by sector, as a % of GDP

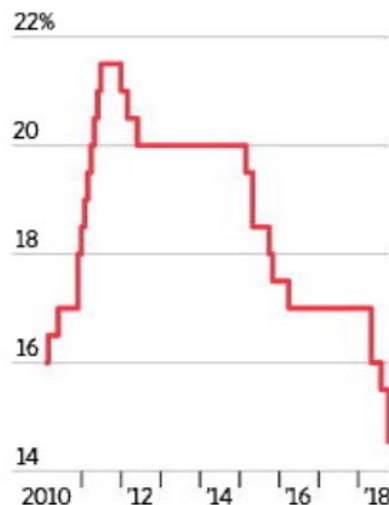


China New Bank Loans
3 Mo. Avg. Y/Y% Aug: 32.9%



Loosening the Reins

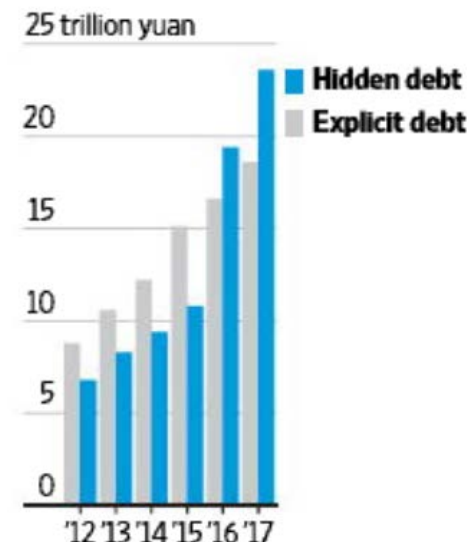
In hopes of stimulating the economy, China reduced the amount of money that banks must keep in reserve.



Source: Wind Information
THE WALL STREET JOURNAL.

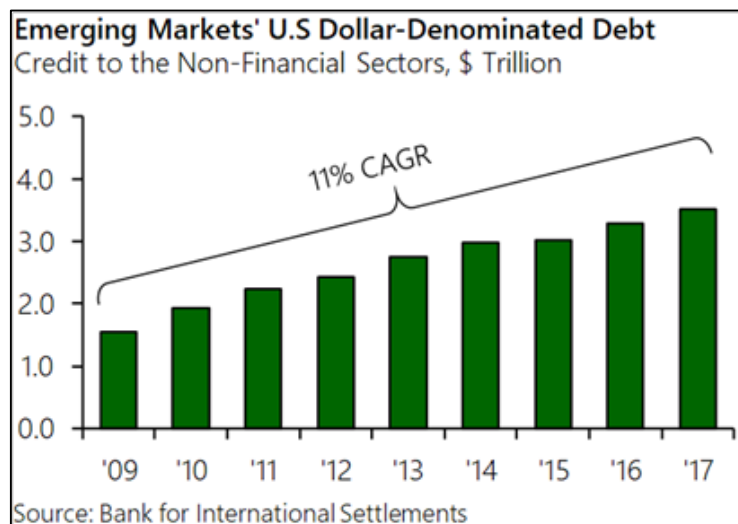
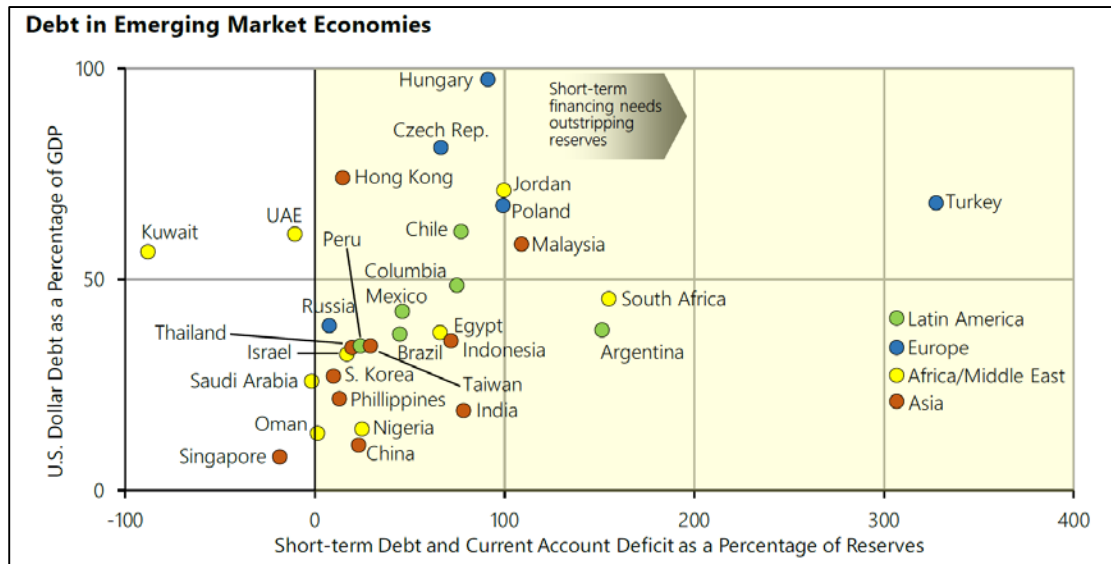
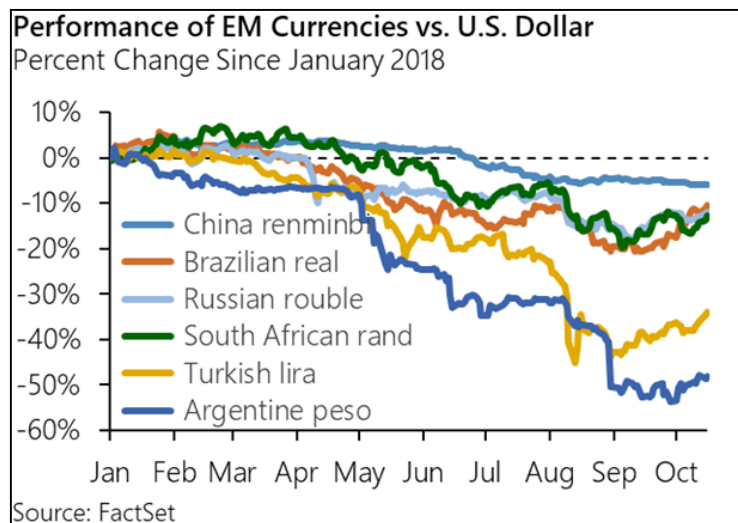
Off the Books

China's local government debt, by type



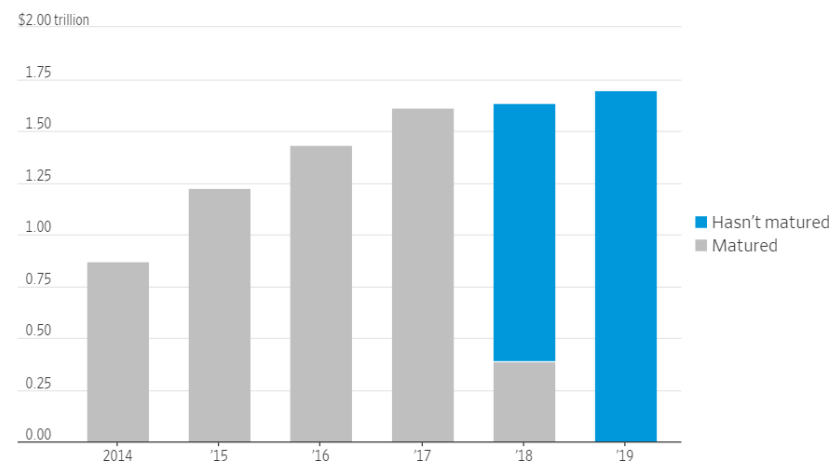
Note: 10 trillion yuan = \$1.464 trillion
Source: Institute of World Economics and Politics
THE WALL STREET JOURNAL.

EMERGING MARKET DEBT LEVELS BECOMING A CONCERN



Pileup

Record amounts of emerging-market debt are set to mature this year and next year.



Note: Includes all currencies and debt from governments, financials, and other corporates.

Source: Institute of International Finance

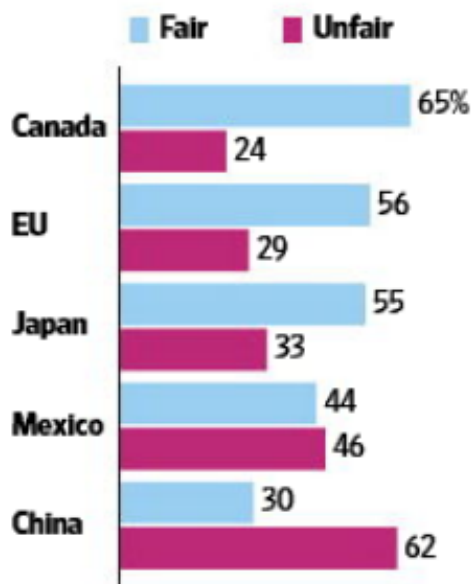
Source: BIS, FactSet, Sit Investment Associates 10/16/18, Wall Street Journal 6/11/18

AMERICANS BELIEVE TRADE BETWEEN U.S. AND CHINA IS UNFAIR

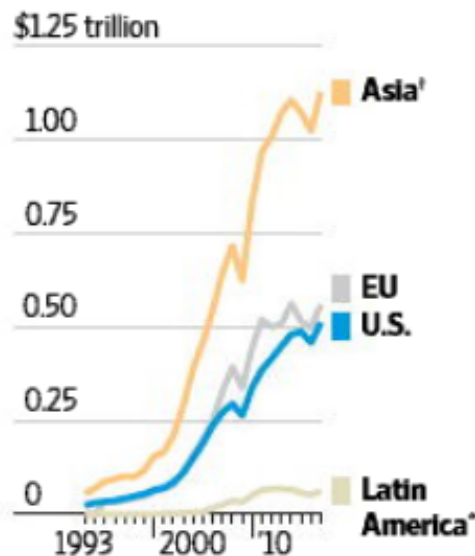
Picking Sides

Americans don't trust China on trade, and China is expanding its trade relationships outside the U.S.

Americans' views of fairness of trade policies



China's exports and imports of intermediate and manufactured goods, by region



*Chile, Brazil and Argentina †Japan, Korea, Taiwan, Indonesia, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam

Sources: Gallup telephone poll of 1,505 adults conducted June 18-24; margin of error: +/-3 percentage points (views); TS Lombard (China's trade) THE WALL STREET JOURNAL

CHINA'S THREE ECONOMIC DEVELOPMENT REGIMES

'Strategically Vital Industries' (Dec 06)

ABSOLUTE CONTROL

- Armaments
- Electric Power
- Oil / P'Chem
- Telecom
- Coal
- Aviation
- Shipping

HEAVYWEIGHTS

- Machinery
- Autos
- Info Tech
- Construction
- Iron and Steel
- Non-Ferrous

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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."

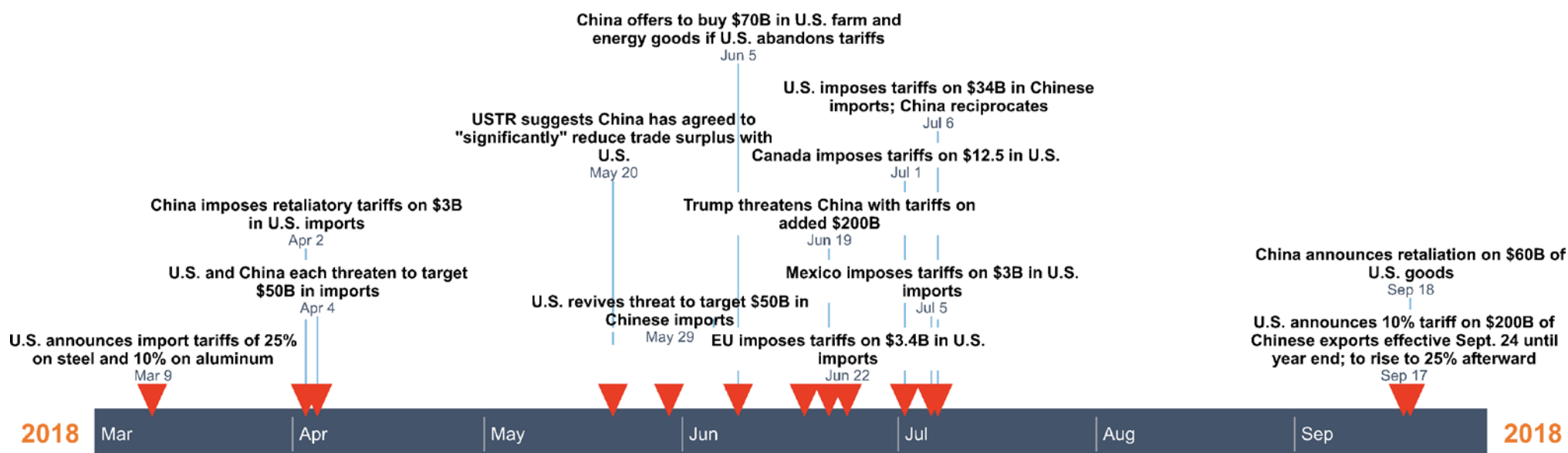
China's 7 Emerging Strategic Industries

- | | |
|---|-------------------------------------|
| 1. Energy Conservation & Environmental Protection | 4. High-End Equipment Manufacturing |
| 2. New Information Technology | 5. Renewable & Alternative Energy |
| 3. Bio-industry | 6. New Materials |
| | 7. New Energy Vehicles |

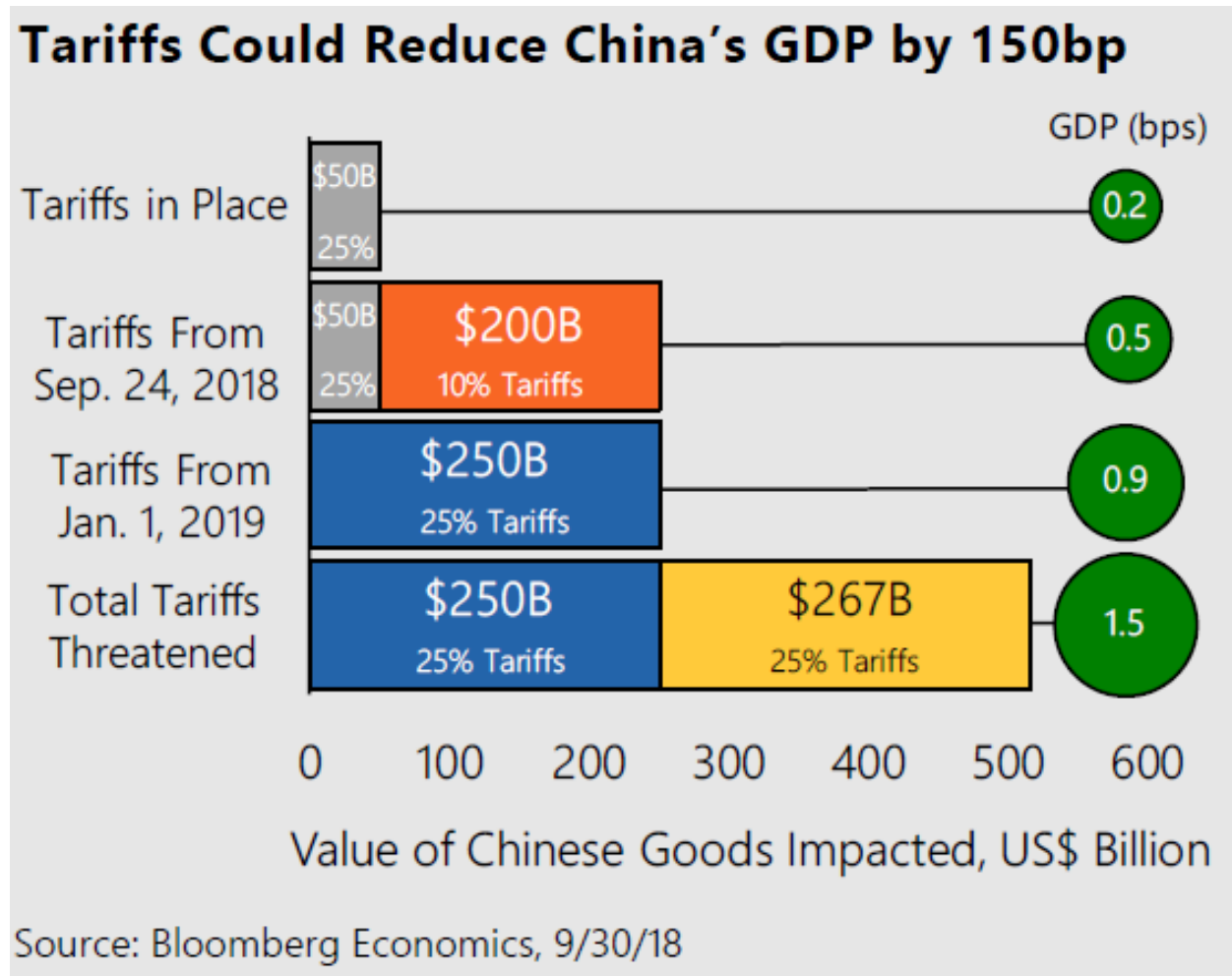
"Made in China 2025" – Beijing's List (2015)

- 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

TIMELINE OF KEY TARIFF ANNOUNCEMENTS SINCE MARCH 2018



TARIFFS PRESENT A SIGNIFICANT HEADWIND TO CHINA'S GDP



IMPACT OF LATEST PROPOSED TARIFFS ON CONSUMER GOODS

Paying the Bill

Consumer goods get hit harder as U.S. levies tariffs on more Chinese imports.

Share of tariffs on Chinese imports

	Intermediate goods	Capital goods	Consumer goods	Others*
1st round \$50 billion in tariffs	53%	42	1	5
2nd round \$200 billion in tariffs	50%	25	24	1
3rd round* \$267 billion in tariffs	15%	44	40	1

*Threatened, but not carried out yet.

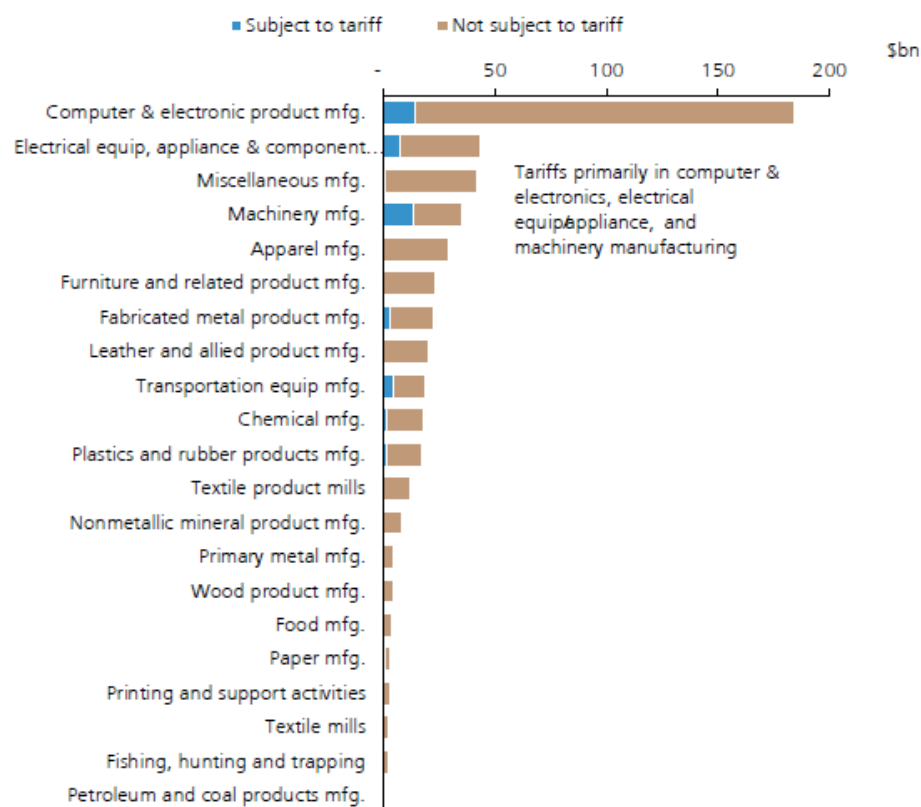
Note: Numbers don't equal 100% due to rounding. 'Others' includes transport equipment

Source: USITC via Peterson Institute for International Economics

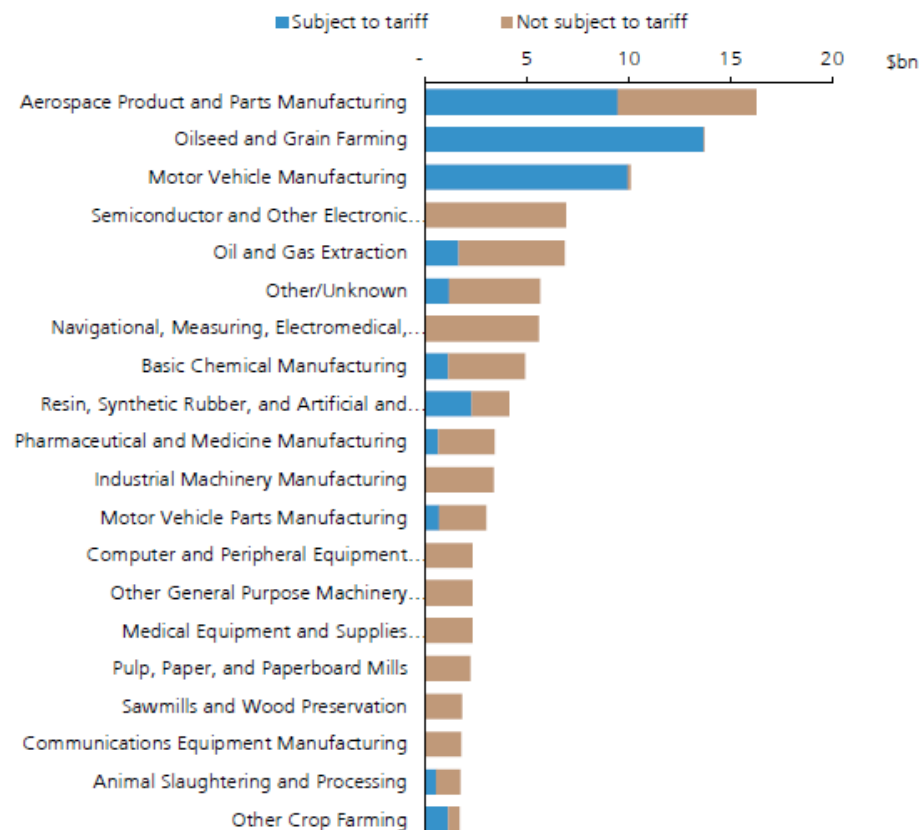
THE WALL STREET JOURNAL.

TARIFFS ON U.S. IMPORTS FROM CHINA & U.S. EXPORTS TO CHINA

US tariffs on imports from China



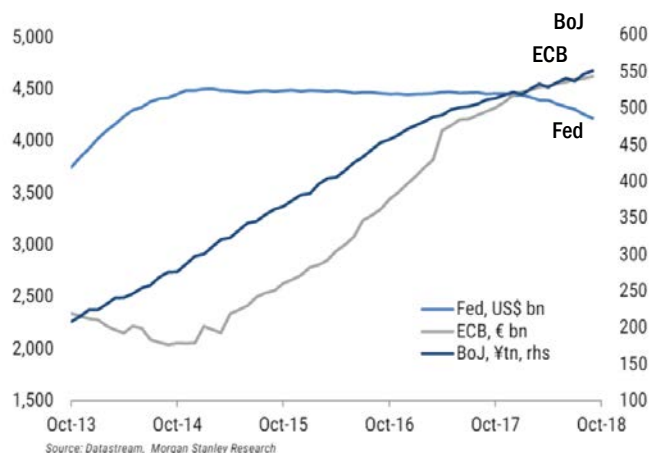
China retaliation: tariffs on US exports



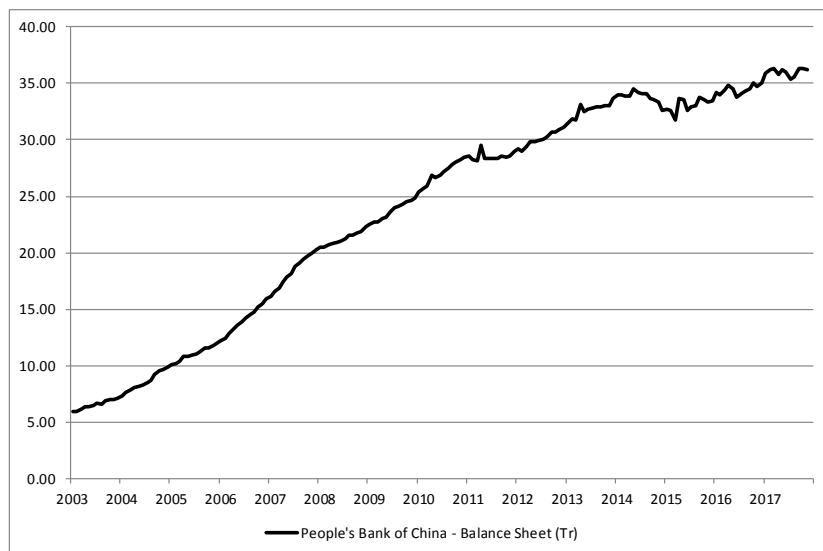
Source: UBS Evidence Lab, US Census Bureau, BEA (Note: these categories are from the April list of tariffs on US goods exported to China.)

EASY MONETARY POLICIES IN PLACE TO SPUR GROWTH

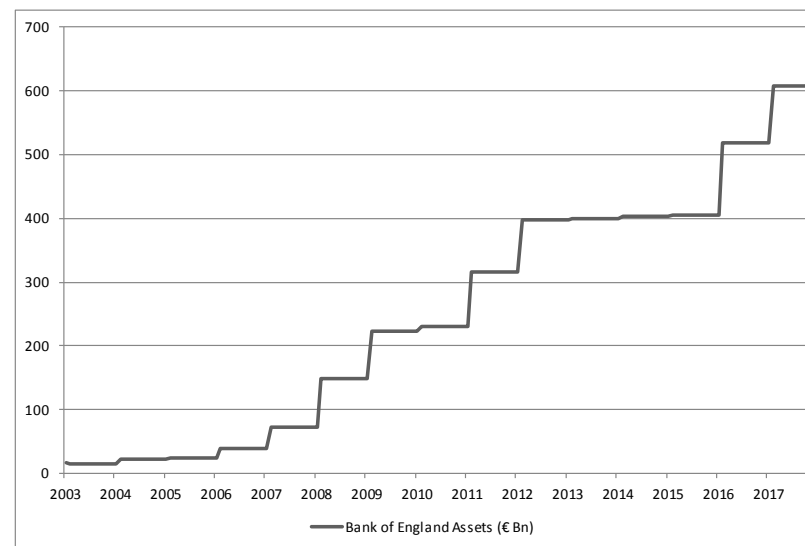
Global Central Bank Balance Sheets



People's Bank Of China Balance Sheet

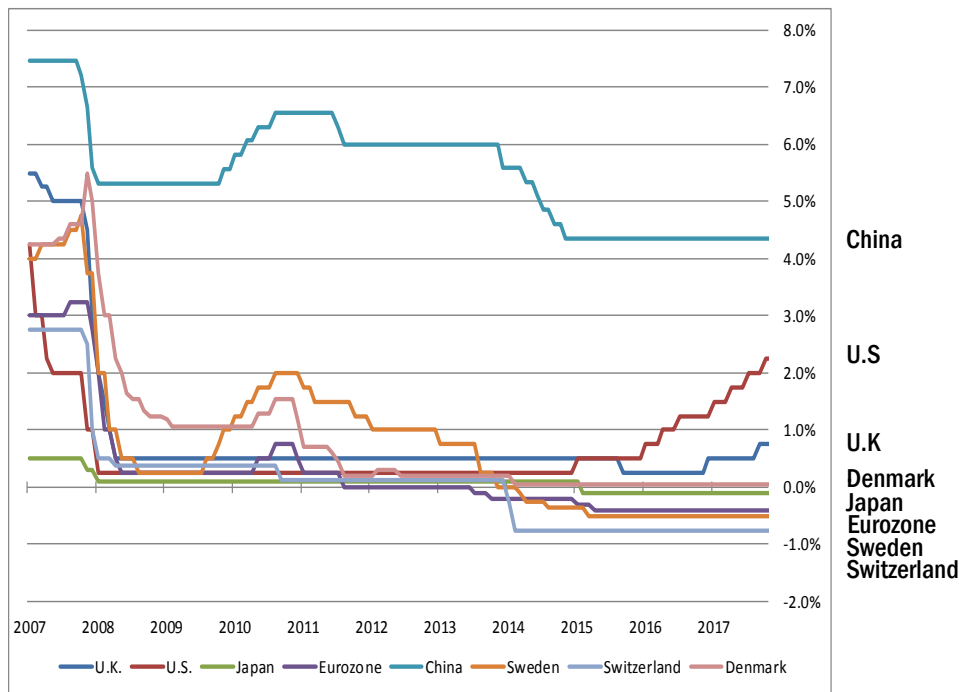


People's Bank of England Balance Sheet



CENTRAL BANKS REMAIN ACCOMMODATIVE

Central Bank Rates

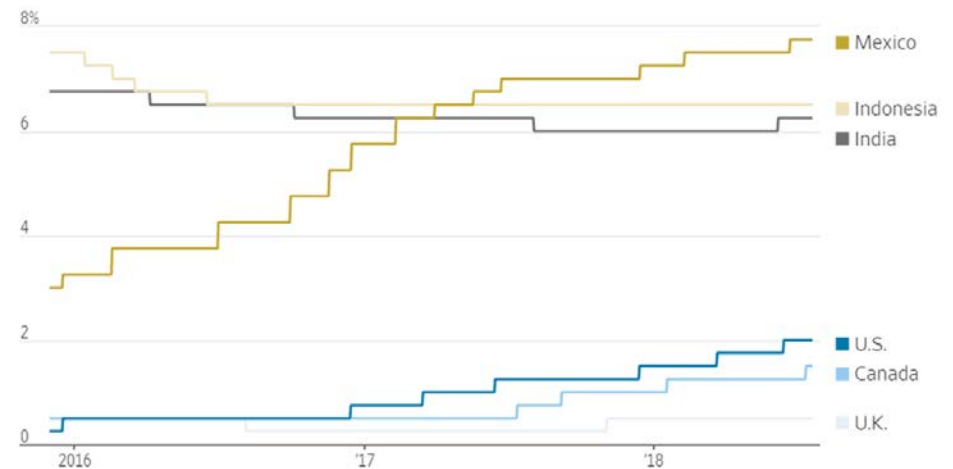


Approximately 24% of global GDP has a negative Central Bank interest rate.
(Eurozone, Japan, Switzerland, and Sweden)

Moving Up

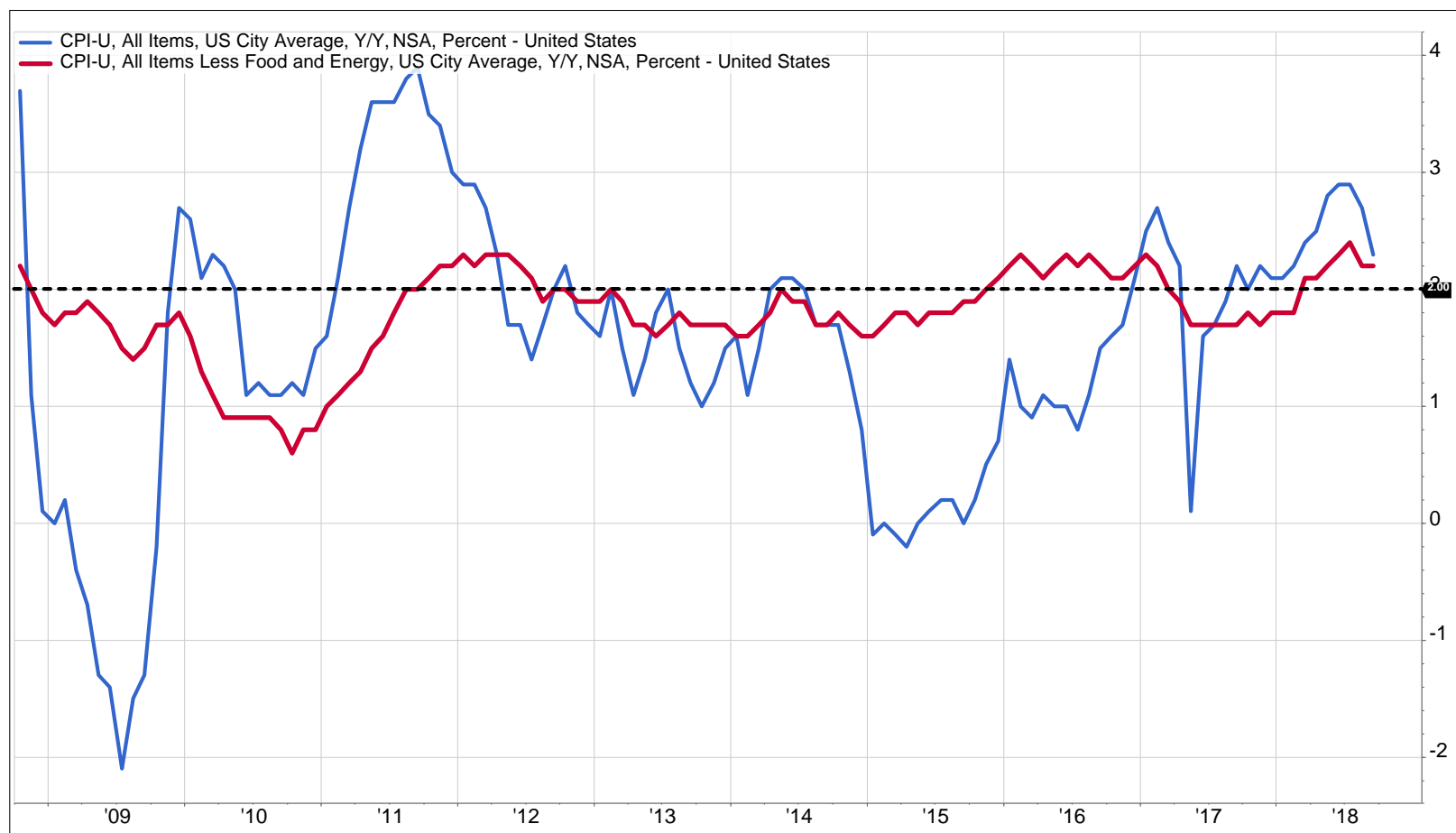
The Fed started to raise its rates in December 2015, and a handful of central banks have followed in its footsteps.

Central bank interest-rate targets

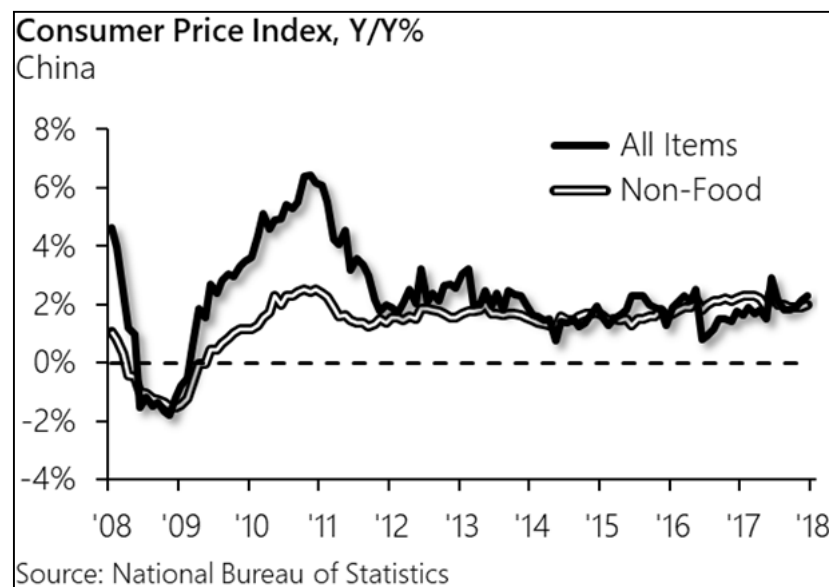
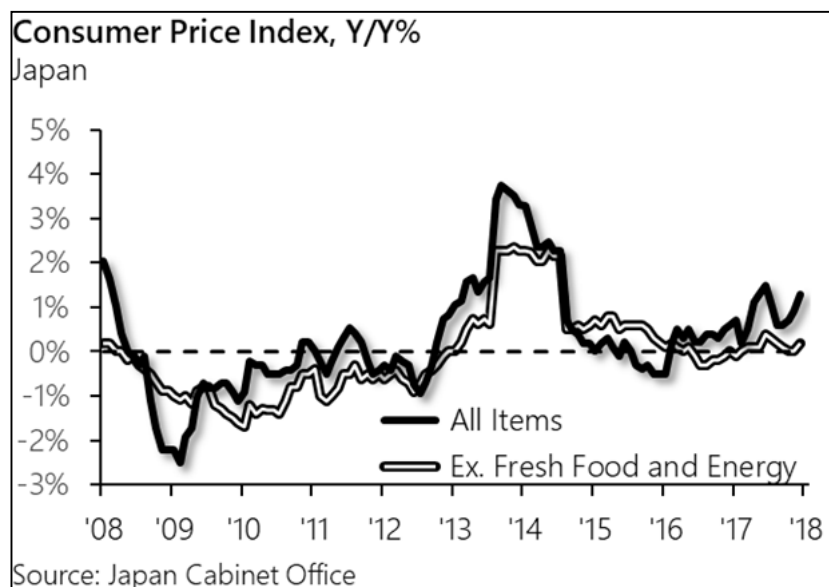
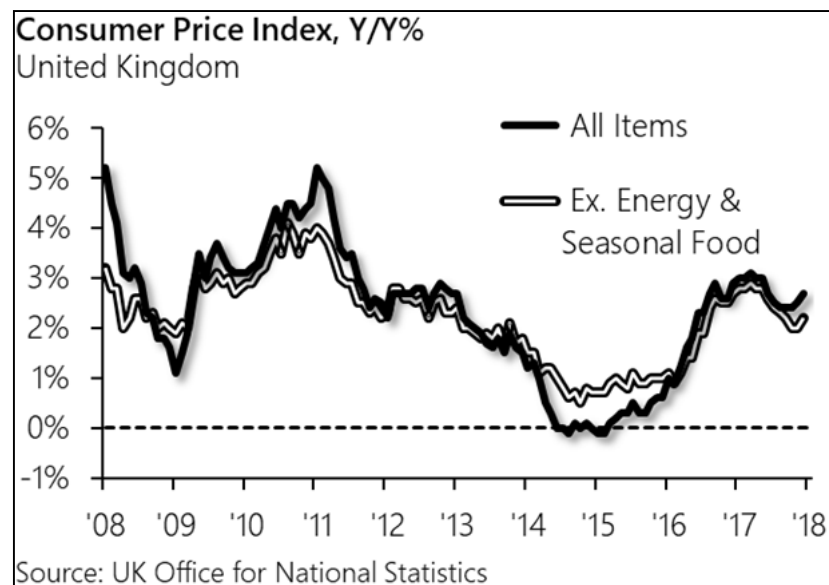
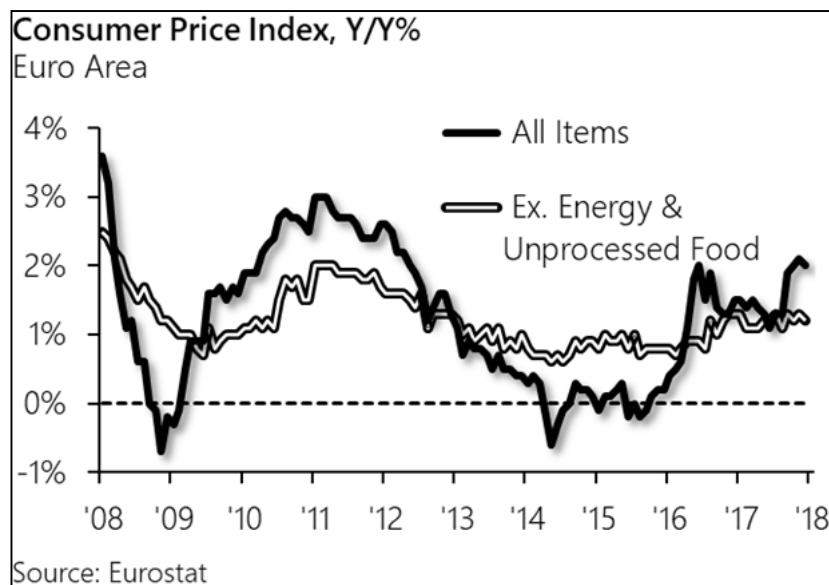


Source: Factset

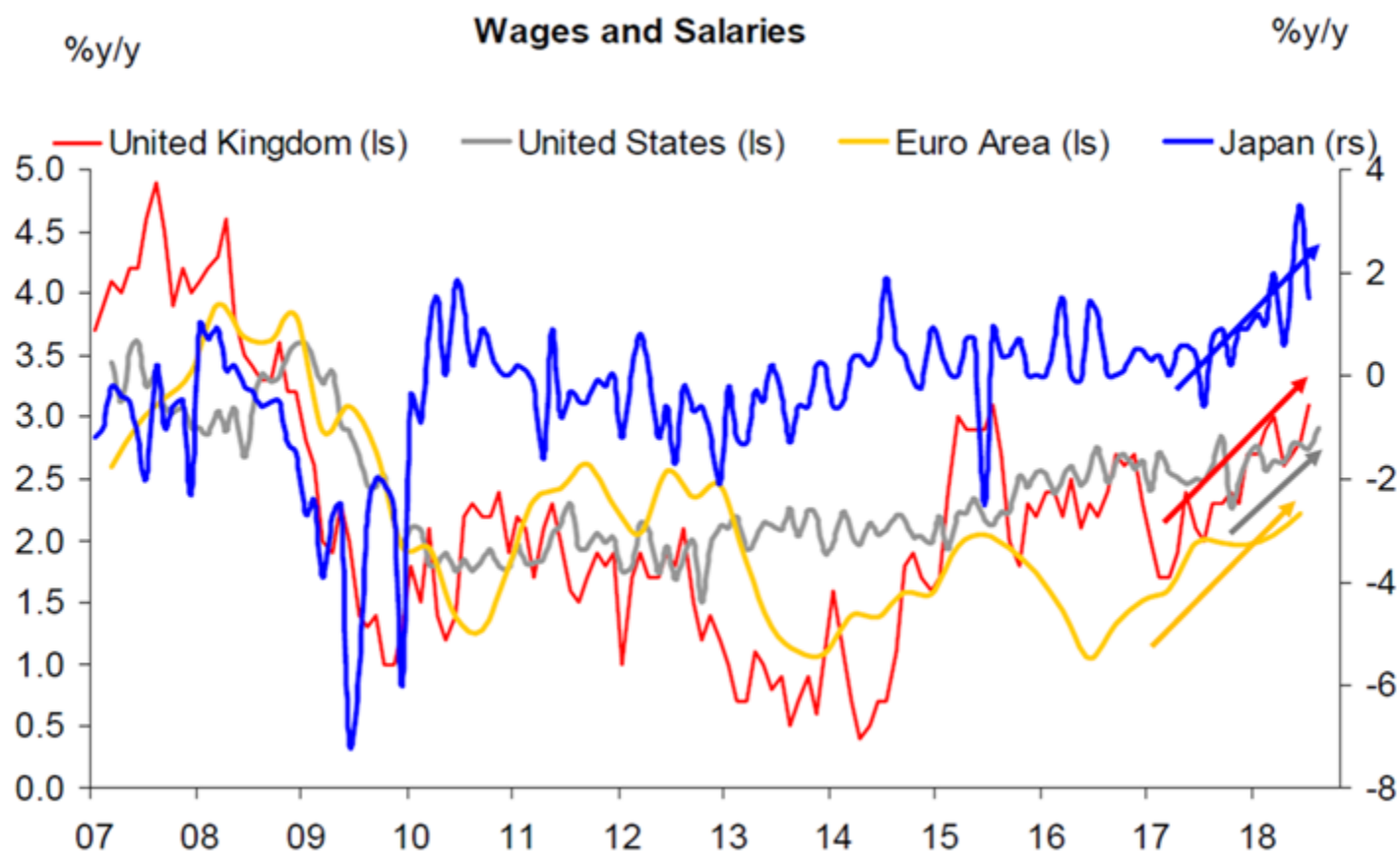
U.S. INFLATION HAS BEEN BELOW THE FED'S TARGET FOR YEARS



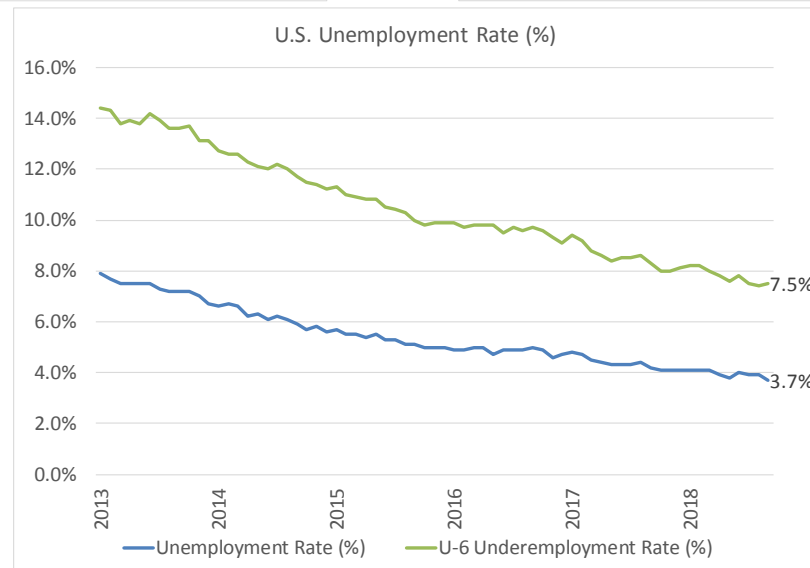
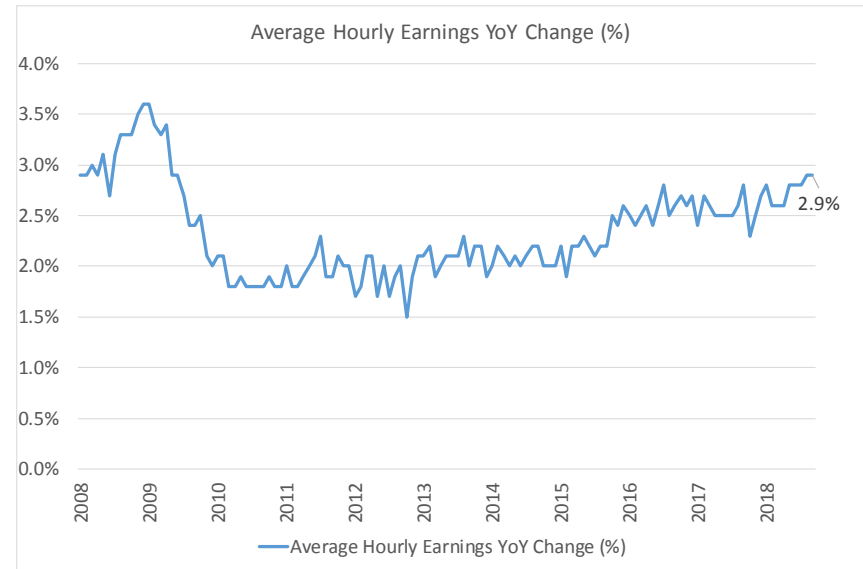
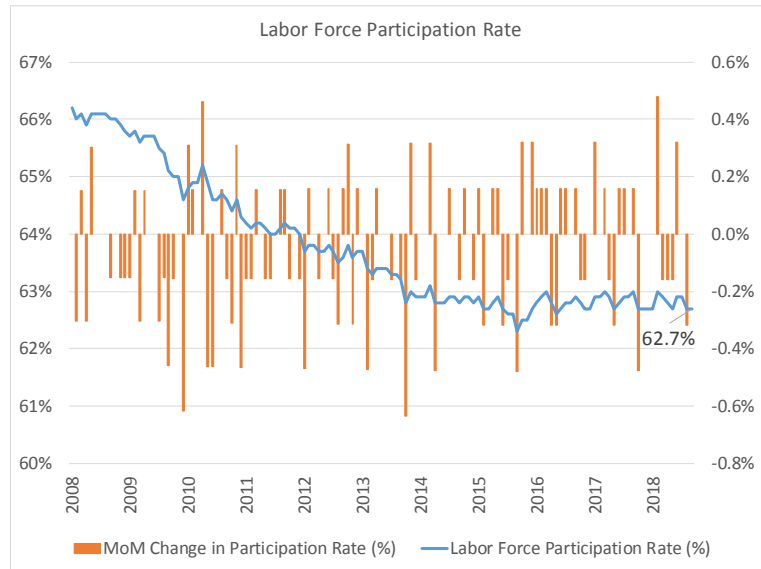
GLOBAL CONSUMER PRICE INDEX



GLOBAL WAGES INFLECTING HIGHER GRADUALLY



U.S. EMPLOYMENT DATA NOT YET SUGGESTING OVERHEATING



EXPECTED RANGE OF FUTURE FIXED INCOME RETURNS

September 30, 2018

Risk Level/ Representative Issue	Interest Rate Forecast	Time Horizon					
		6 Months		1 Year		3 Yrs (Ann. Return)	
		Terminal Yield	Total Return	Terminal Yield	Total Return	Terminal Yield	Total Return
Low Risk 2 yr. Constant Mat. Tsy. Present YTM 2.82%	Pessimistic	3.25%	#NAME?	3.50%	#NAME?	4.00%	#NAME?
	Most Likely	3.13	#NAME?	3.38	#NAME?	3.00	#NAME?
	Optimistic	1.50	#NAME?	1.50	#NAME?	2.00	#NAME?
Intermediate Risk 5 yr. Constant Mat. Tsy. Present YTM 2.95%	Pessimistic	3.25	#NAME?	3.75	#NAME?	5.00	#NAME?
	Most Likely	3.25	#NAME?	3.38	#NAME?	4.00	#NAME?
	Optimistic	1.50	#NAME?	1.50	#NAME?	3.00	#NAME?
Medium Risk 10 yr. Constant Mat. Tsy. Present YTM 3.06%	Pessimistic	3.75	#NAME?	4.00	#NAME?	5.50	#NAME?
	Most Likely	3.38	#NAME?	3.50	#NAME?	4.50	#NAME?
	Optimistic	2.00	#NAME?	2.00	#NAME?	3.50	#NAME?
High Risk 30 yr. Constant Mat. Tsy. Present YTM 3.21%	Pessimistic	4.50	#NAME?	4.75	#NAME?	6.00	#NAME?
	Most Likely	3.50	#NAME?	3.75	#NAME?	5.00	#NAME?
	Optimistic	2.25	#NAME?	2.25	#NAME?	4.00	#NAME?

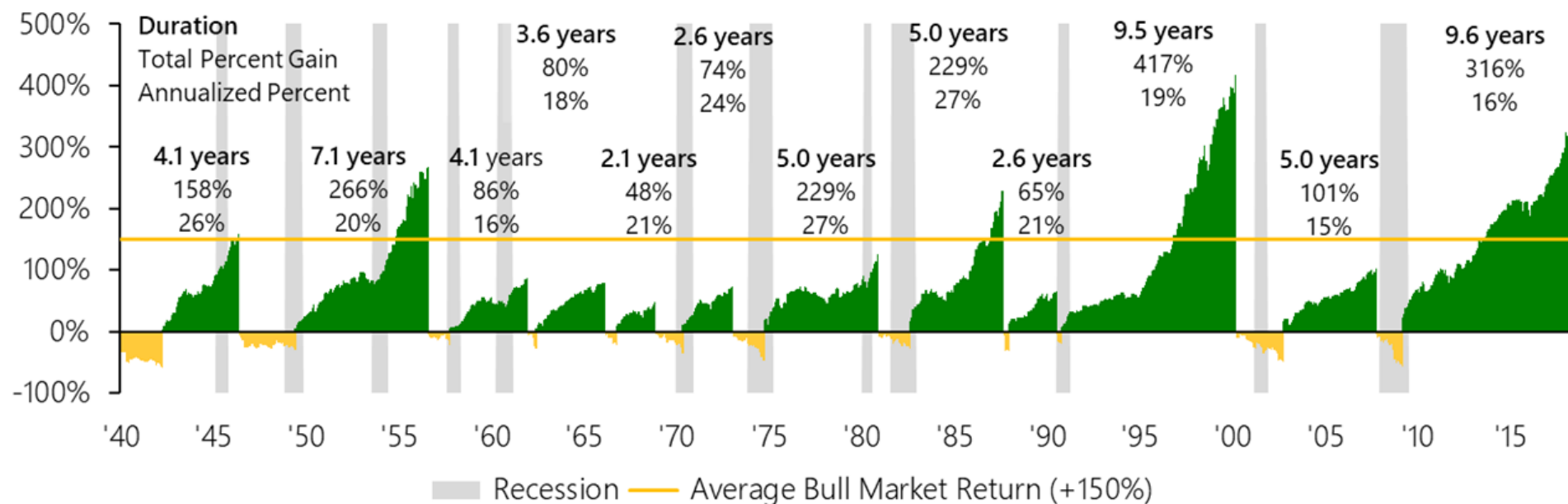
GLOBAL ECONOMIC & INVESTMENT ENVIRONMENT

II. We are positive on the equity market and think there could be continued appreciation in 2018 and 2019. Market volatility however, will likely increase.

- The favorable global economic back drop should lead to ongoing corporate earnings growth.
- Equity Valuations are not expensive relative to history. Equity valuations are attractive relative to bonds.
- 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.
- Market volatility could increase due to:
 - Economic growth concerns as accommodative monetary policies are gradually unwound
 - Worldwide growth and political concerns from President Trump's trade tariffs and potential trade war
 - Reduced growth caused by ballooning budget deficits and increased country debt levels

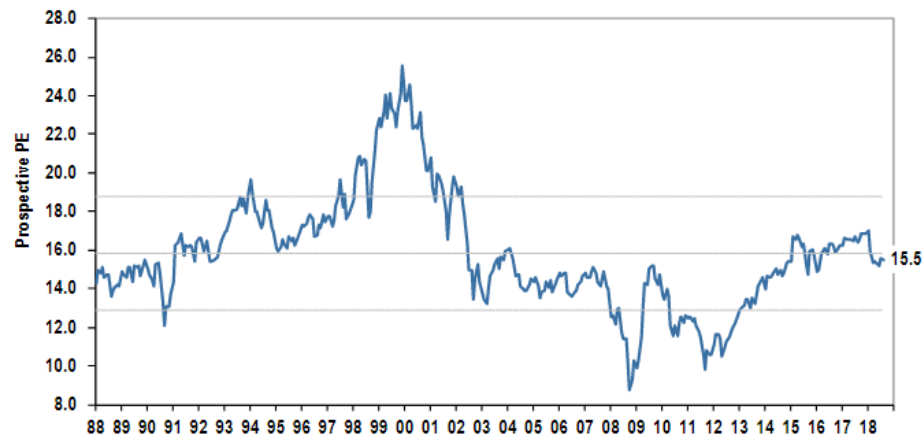
CURRENT BULL MARKET THE LONGEST IN HISTORY

S&P 500 Price Returns During Bull and Bear Markets



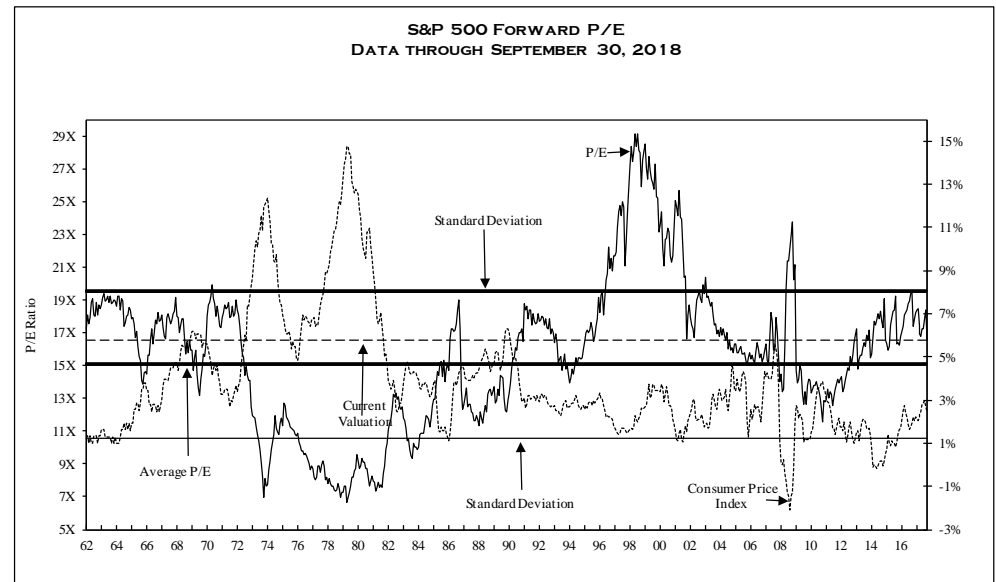
EQUITY VALUATIONS ARE REASONABLE

Global Prospective PE



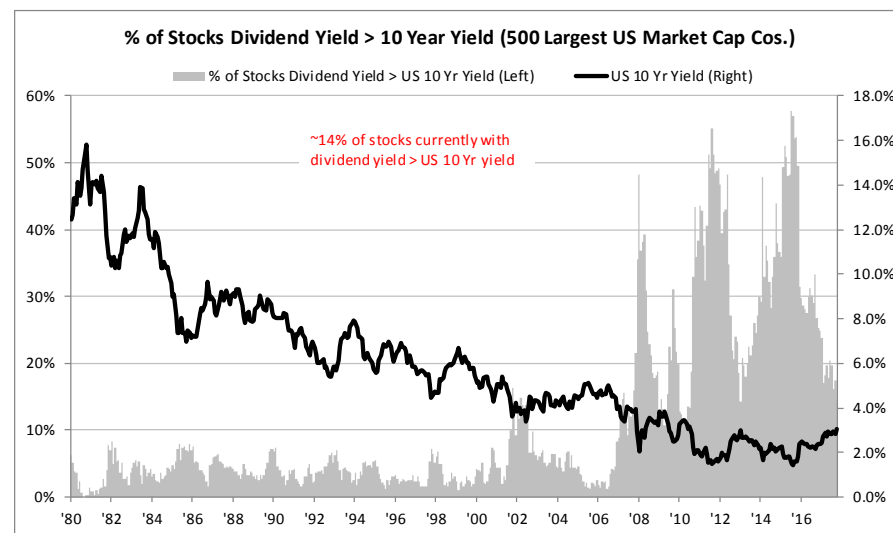
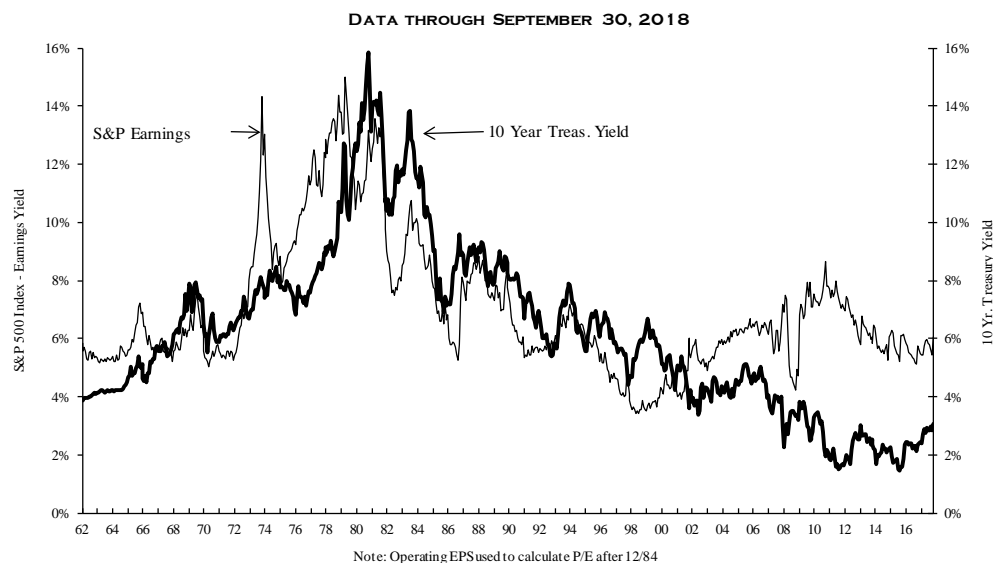
Source: BofA Merrill Lynch Global Quantitative Strategy, MSCI, IBES

S&P 500 Forward P/E Data Through 9/30/18

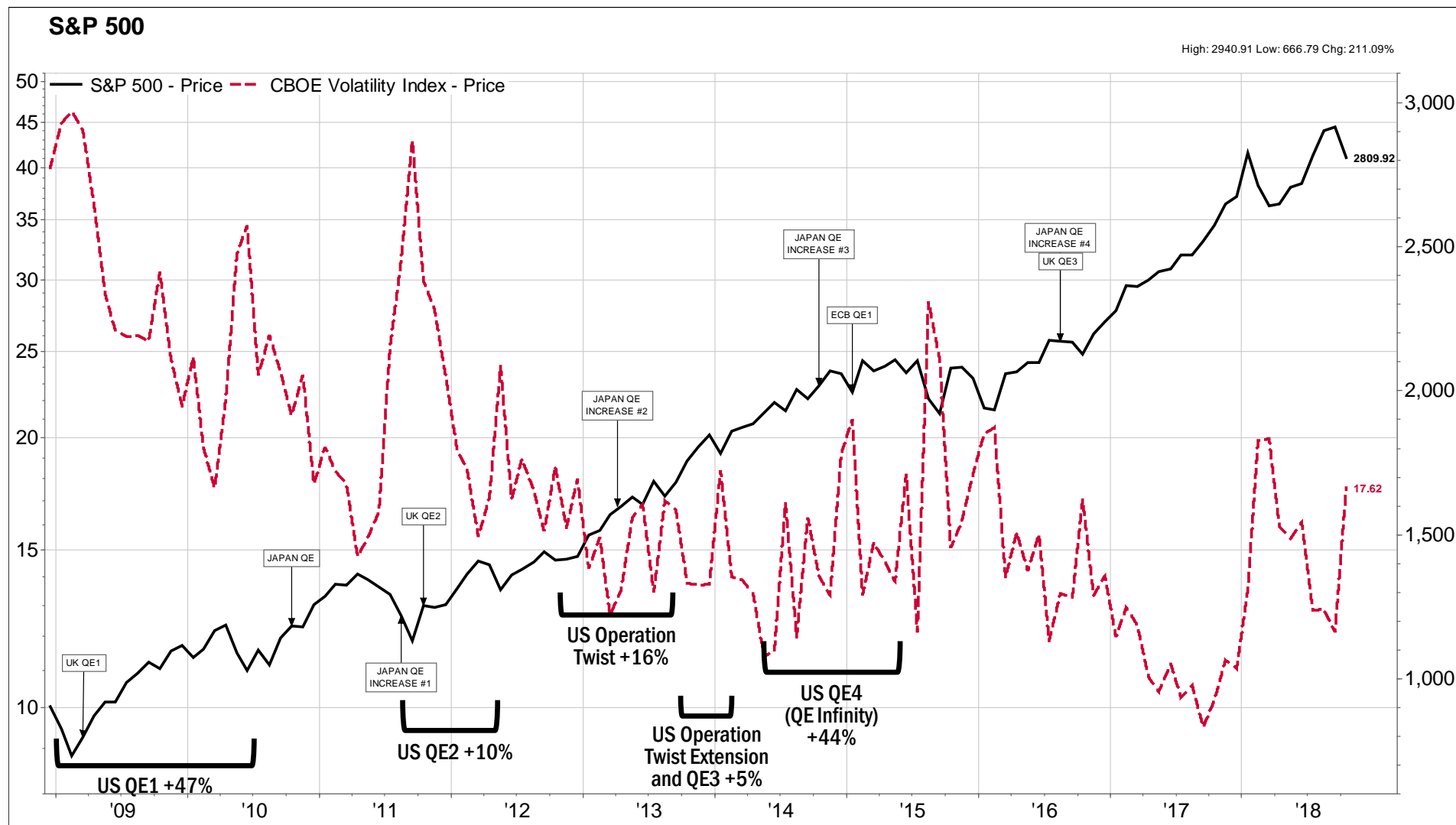


Source: B of A/Merrill Lynch 9/21/18 & Sit Investment Associates, Inc. 9/30/18

EQUITY VALUATIONS ARE ATTRACTIVE RELATIVE TO BONDS



QUANTITATIVE EASING HAS STIMULATED THE MARKET CAUSING LOW VOLATILITY



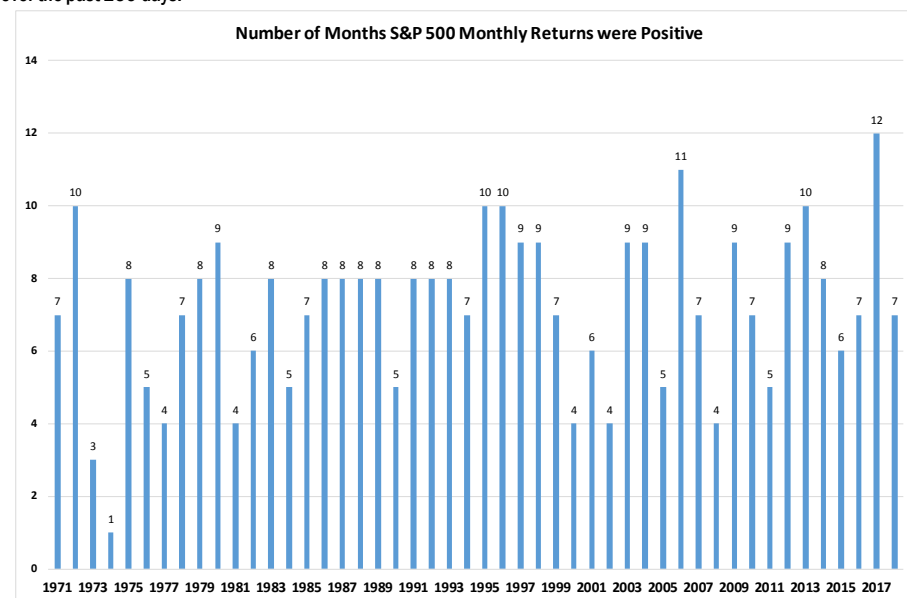
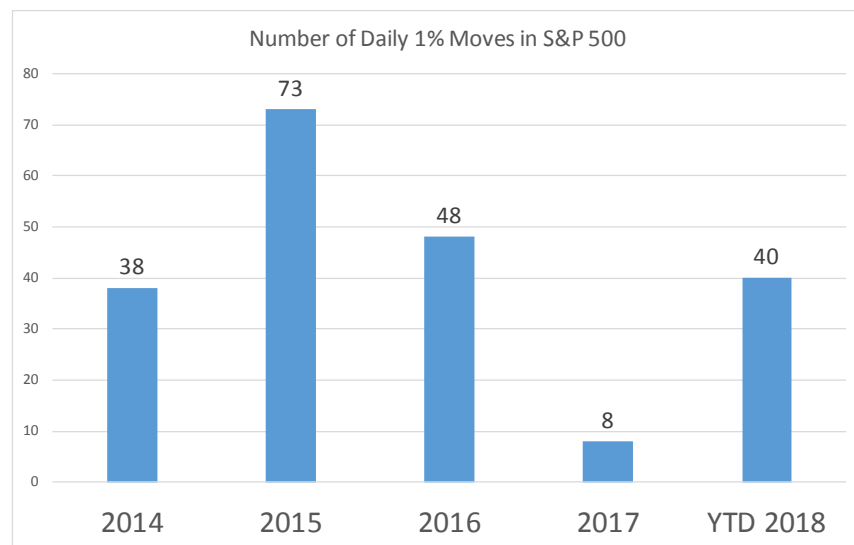
STOCK MARKET WAS LARGELY UNINTERRUPTED

Start Date	End Date	
11/26/6	6/3/64	131 Days
12/17/6	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
3/28/18	10/10/1	135 Days

The S&P 500 stock index went 311 days without a total 3% drop¹, 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.

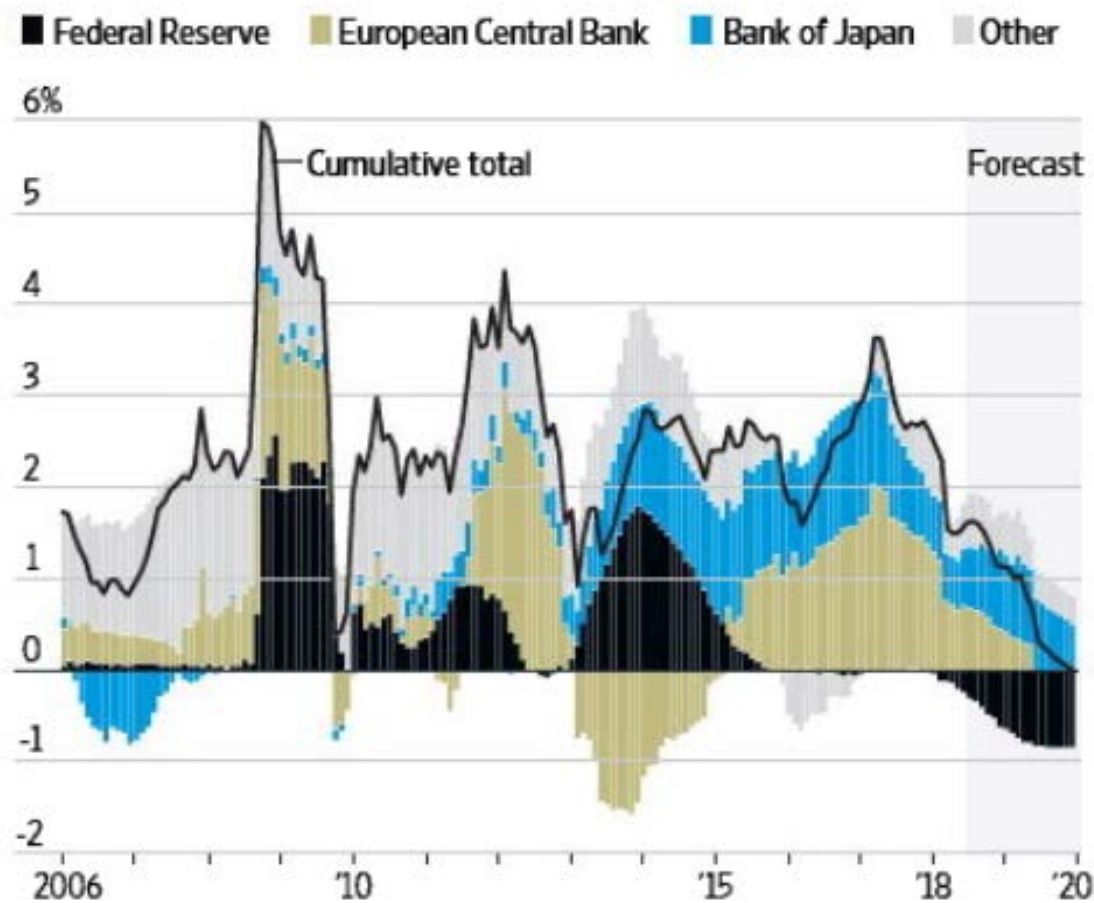


Source: Factset Research Systems & Sit Investment Associates, Inc. 10/17/18, The Wall Street Journal

UNCERTAINTIES LOOM OVER CENTRAL BANK TIGHTENING

Pulling Back

Central-bank asset purchases by percentage of GDP



Sources: Haver Analytics; Institute of International Finance THE WALL STREET JOURNAL.

2018 ELECTION RATINGS

U.S. House of Representatives

Democrats only need to pick up 23 seats to control House; strong bias toward Democratic control

Solid Seats		Likely/Lean Seats		Toss Up or Worse	
D - 182	R - 145	D - 10	R - 51	D - 3	R - 44

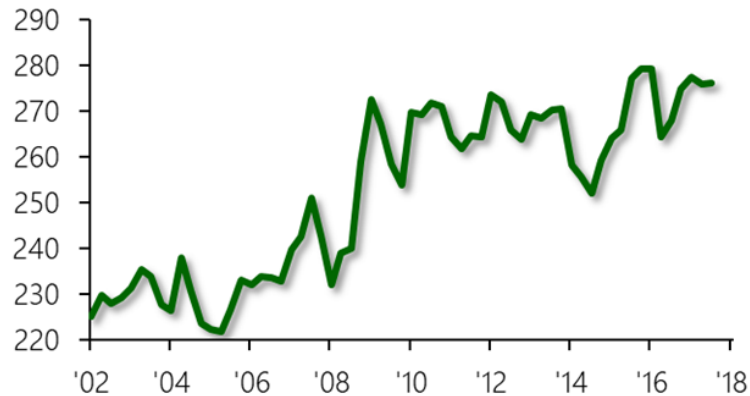
U.S. Senate

Democrats only need to pick up 2 seats to control Senate; 26 seats held by Democrats up for re-election vs 9 seats held by Republicans; strong bias toward Republican control

Solid Seats		Likely/Lean Seats		Toss Up or Worse	
D - 14	R - 4	D - 7	R - 1	D - 5	R - 4

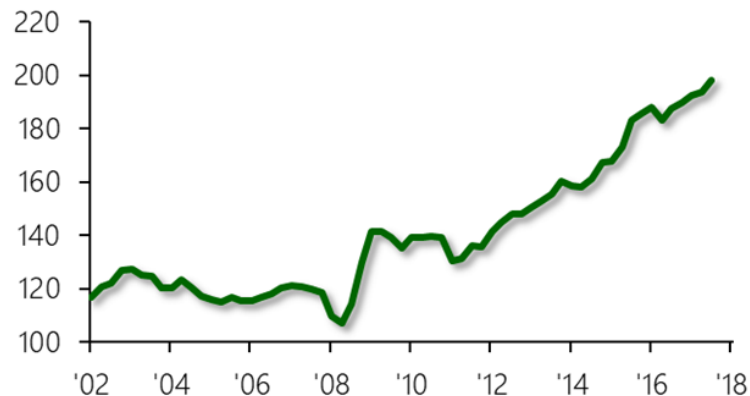
GLOBAL DEBT CHALLENGE TO GROWTH

Total Credit to the Non-Financial Sector, Total
Percent of GDP, Advanced Economies



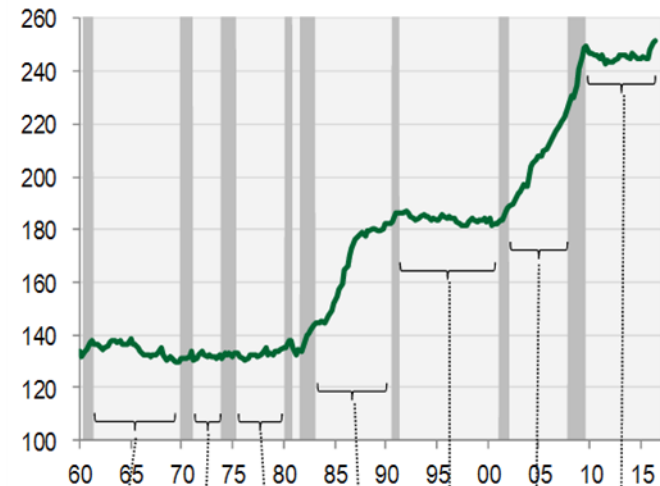
Source: Bank for International Settlements

Total Credit to the Non-Financial Sector, Total
Percent of GDP, Emerging Economies

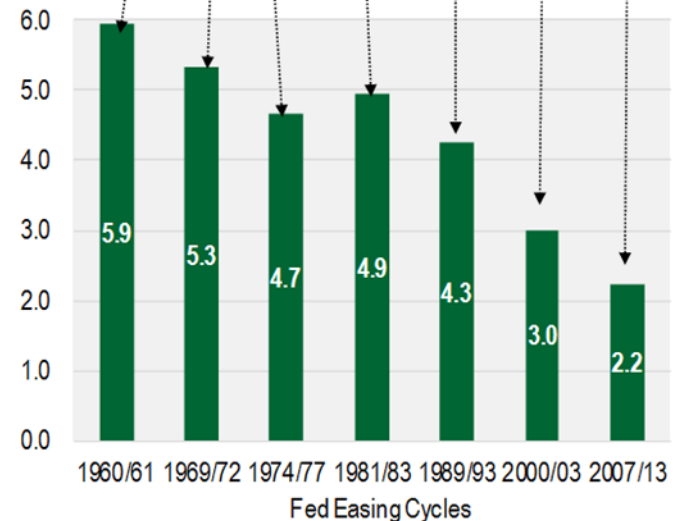


Source: Bank for International Settlements

U.S. Total Nonfin Debt
% Nominal GDP 2016:2Q: 251.1%



Average GDP Growth During Economic



GLOBAL ECONOMIC & INVESTMENT ENVIRONMENT

III. 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 increased 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 growth have been strong, which has led to further market appreciation based on fundamentals.
- In a stock picker's market, 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, sustaining price appreciation, and justifying stock price valuations.
- Sectors and stocks that perform well should broaden beyond the technology and FAANG (Facebook, Amazon, Apple, Netflix, Google) stocks.
- 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.

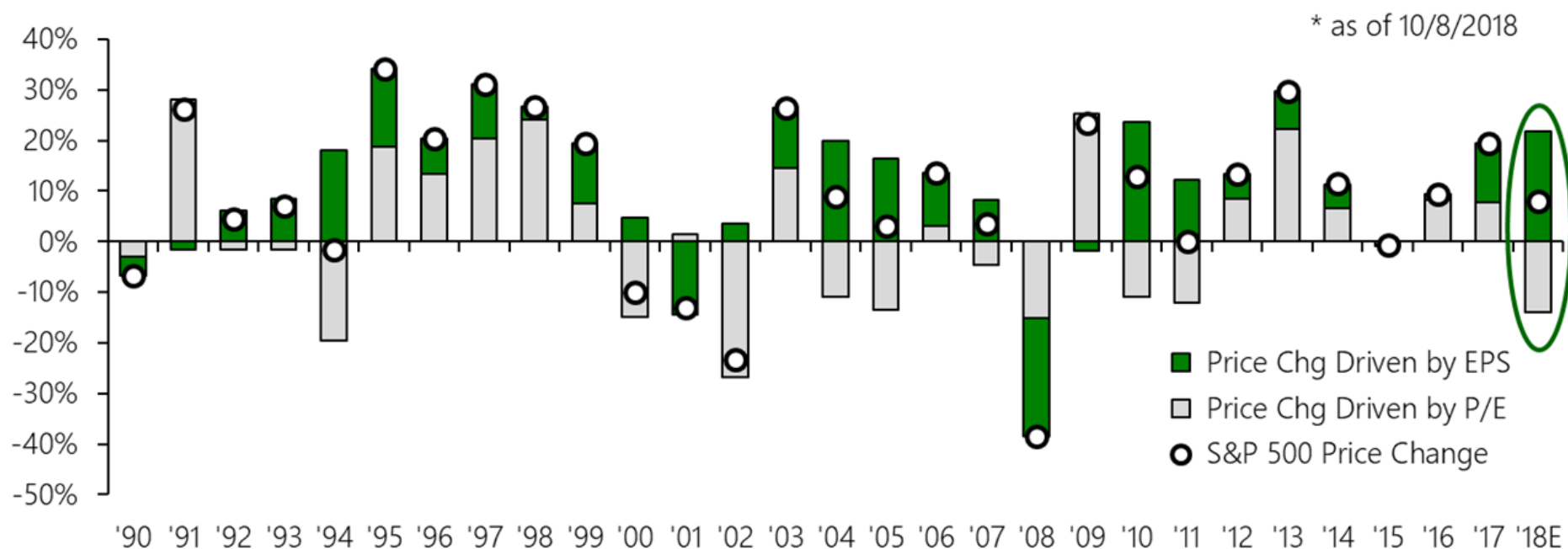
EPS GROWTH NOW DRIVING MARKET APPRECIATION

Price/Earnings Ratio ✕ Earnings = Price

Therefore, for Price to Increase:

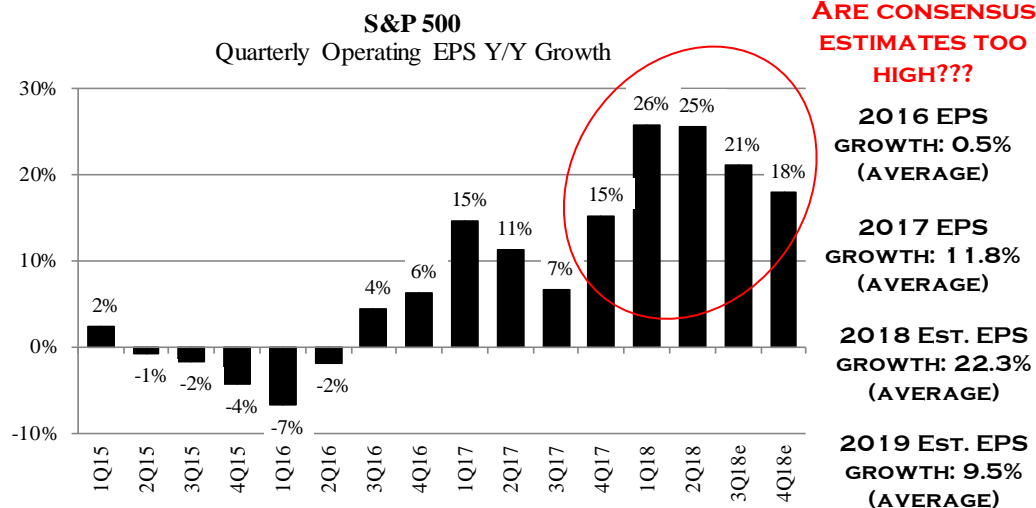
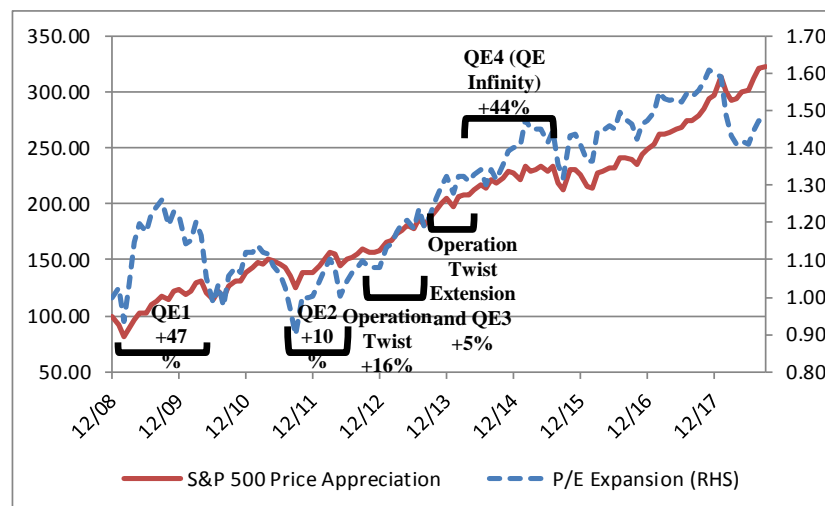
- Price/Earnings Ratio Has to Expand and/or
- Earnings Has to Increase

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



P/E EXPANSION DROVE MARKET HIGHER, NOW NEEDS EARNINGS

(P/E x EARNINGS = PRICE)



FAANG STOCKS UNDER PRESSURE IN THE FOURTH QUARTER

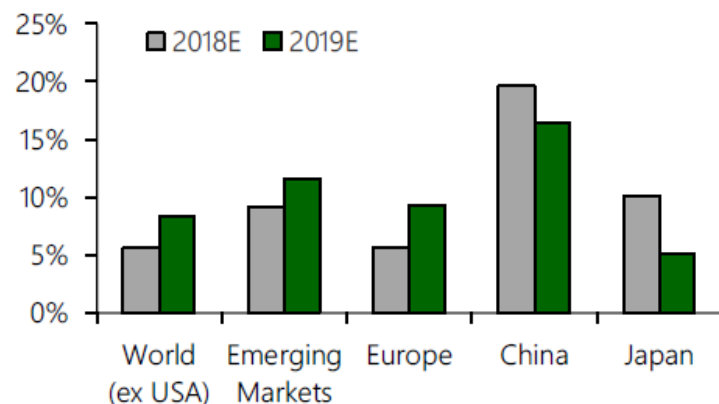
FAANG (FACEBOOK, APPLE, AMAZON, NETFLIX, GOOGLE)



	YTD thru 6/30			YTD thru 7/31			YTD thru 8/31			YTD thru 9/30			YTD thru 10/17/18		
	Total Return	Contribution to Return	Contribution (%)	Total Return	Contribution to Return	Contribution (%)	Total Return	Contribution to Return	Contribution (%)	Total Return	Contribution to Return	Contribution (%)	Total Return	Contribution to Return	Contribution (%)
S&P 500	2.6%	2.62		16.2%	16.24		9.9%	9.91		17.1%	17.09		6.7%	6.65	
Top 10 Contributors	21.7%	3.07	117%	41.0%	6.39	39%	37.9%	5.67	57%	42.3%	10.18	60%	36.1%	4.9	74%
FAANG Stocks	30.6%	2.07	79%	43.0%	3.77	23%	38.8%	3.71	37%	37.2%	6.29	37%	30.5%	2.79	42%

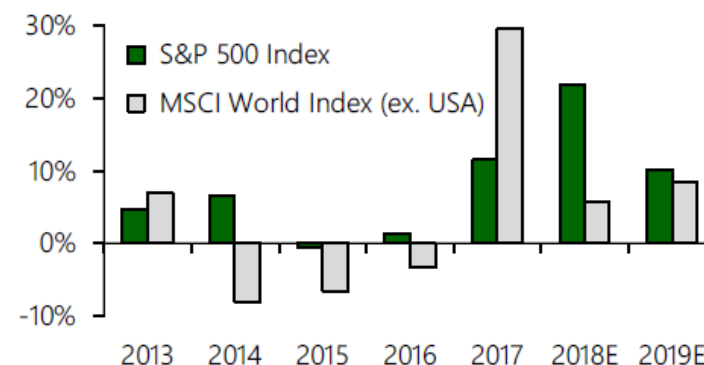
BOTTOMS UP EPS ESTIMATES

Bottom EPS Estimates for MSCI Indices



Source: FactSet, Sit Investment Associates

Bottom EPS Estimates, Consensus
Year-Over-Year Percent Growth



Source: FactSet, Sit Investment Associates

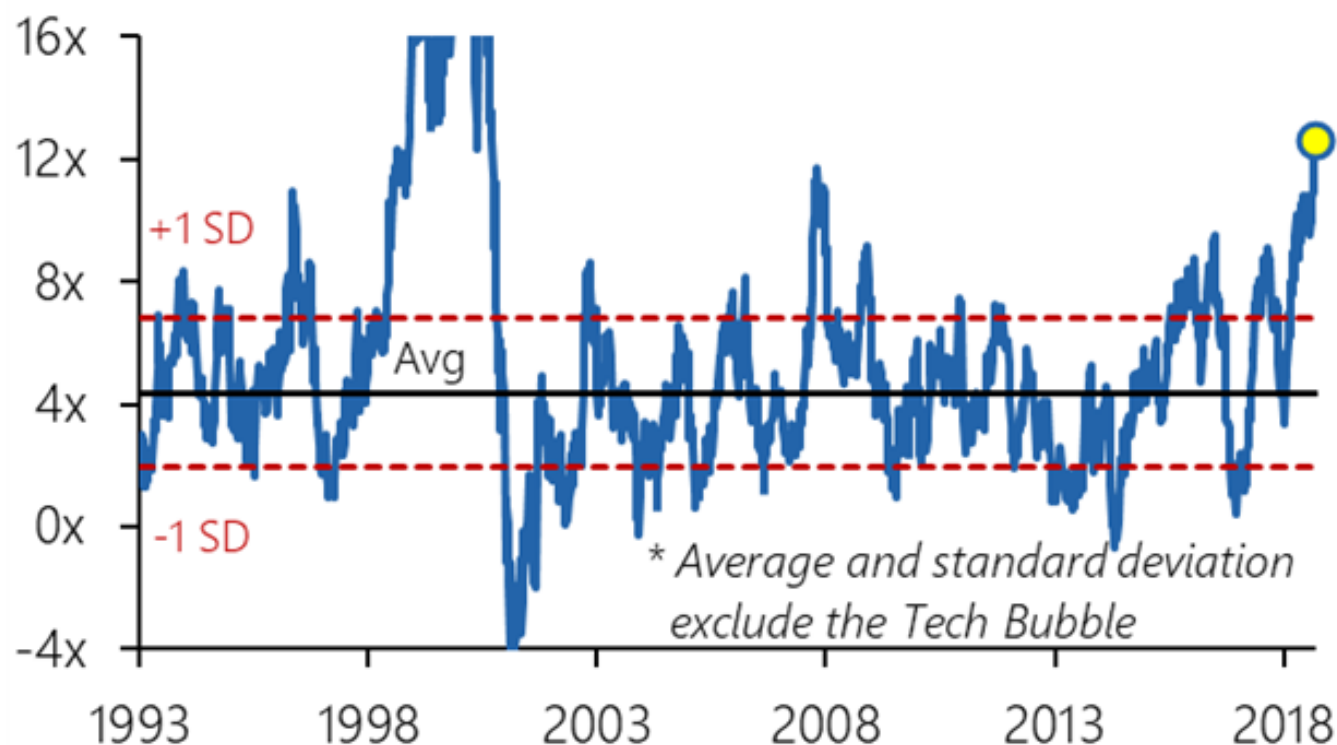
Change in Consensus Operating EPS Growth Estimates

S&P 500 GICS Sector - Factset Estimates

	2018 Growth Est. 11/9/17	2018 Growth Est. Current	Change %	2019 Growth Est. 11/9/17	2019 Growth Est. Current	1Q18 Growth	2Q18 Growth	3Q18 Growth Est.
Energy	24.7%	153.4%	128.7%	-1.4%	30.3%	122.2%	70.7%	138.9%
Materials	21.6%	23.8%	2.1%	10.2%	11.3%	51.9%	48.8%	10.3%
Industrials	10.2%	10.6%	0.3%	9.8%	10.9%	18.8%	5.9%	11.6%
Consumer Discretionary	32.3%	56.3%	23.9%	26.3%	22.5%	31.5%	122.6%	161.2%
Consumer Staples	6.6%	2.4%	-4.2%	5.9%	4.5%	2.0%	3.7%	-0.6%
Health Care	14.4%	15.1%	0.7%	10.1%	7.6%	13.1%	15.3%	5.3%
Financials	-14.7%	15.5%	30.3%	7.3%	7.9%	15.3%	9.1%	-49.8%
Information Technology	15.2%	3.9%	-11.3%	9.5%	10.5%	4.6%	24.1%	10.8%
Communication Services	21.8%	19.5%	-2.3%	14.6%	21.6%	18.4%	12.4%	16.9%
Utilities	7.4%	-2.8%	-10.2%	6.2%	9.1%	0.3%	-17.9%	11.2%
Real Estate	10.4%	11.0%	0.6%	9.1%	7.8%	11.2%	7.1%	11.7%

P/E SPREADS OF LARGEST 1000 U.S. STOCKS

Top Quartile minus Bottom Decile



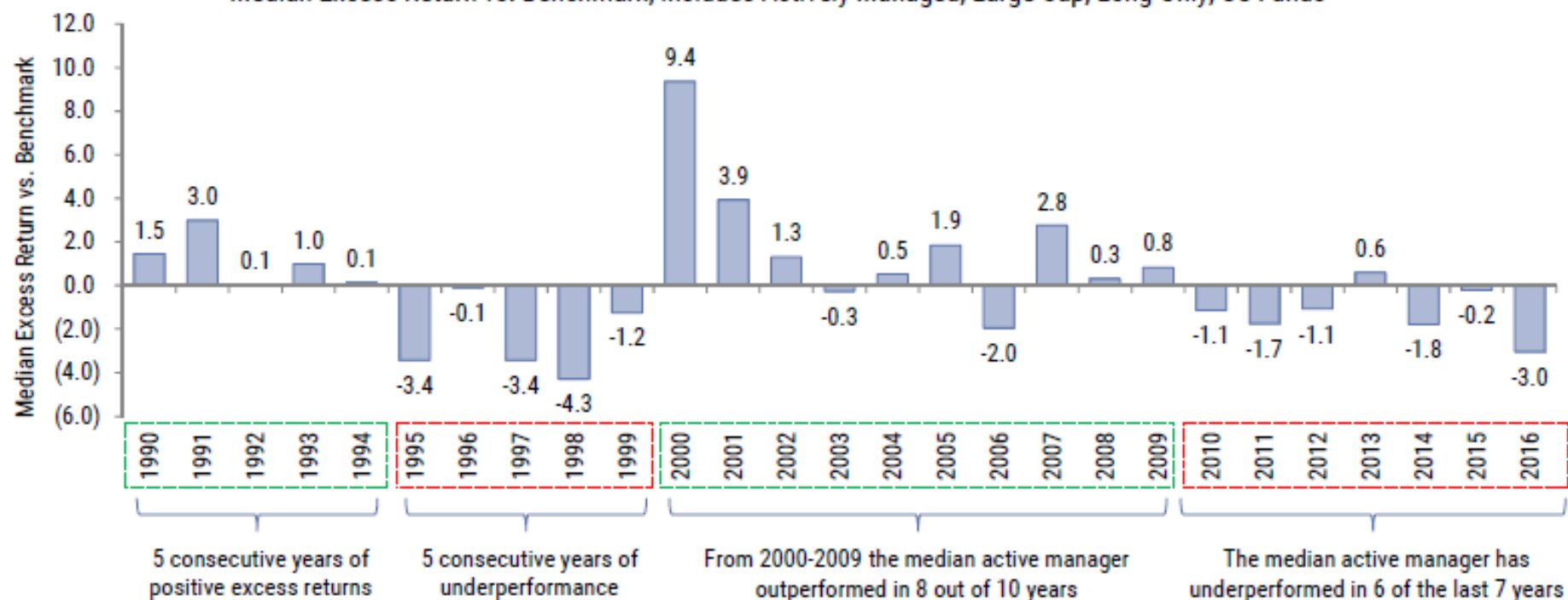
P/E CONTRACTION IN ATTRACTIVE SECTIONS

	NTM P/E		Change in P/E
	(12/31/17)	(10/17/18)	
Integrated Oil	21.0x	13.9x	-7.1x
Pulp & Paper	15.0x	9.0x	-6.0x
Air Freight/Couriers	18.5x	14.4x	-4.2x
Aerospace & Defense	22.5x	18.3x	-4.1x
Investment Banks/Brokers	16.8x	12.8x	-4.0x
Electronic Production Equip.	13.9x	10.2x	-3.7x
Major Telecommunications	13.3x	10.1x	-3.1x
Semiconductors	15.2x	12.3x	-2.9x
Life/Health Insurance	11.0x	8.4x	-2.6x
Managed Health Care	19.3x	17.8x	-1.5x

ACTIVE/PASSIVE PERFORMANCE TRENDS ARE CYCLICAL

There have been 4 distinct alpha cycles since 1990

Median Excess Return vs. Benchmark; Includes Actively Managed, Large Cap, Long-Only, US Funds



GLOBAL EQUITY PORTFOLIO STRATEGY

IV. Our equity investment strategy is a diversified "barbell" portfolio that focuses on potential beneficiaries from pro-growth, President Trump 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 pro-growth, Trump theme side of the "barbell", we focus on beneficiaries from the President's business friendly themes of:
 - Tax Reform – corporate & personal
 - Repatriation of foreign cash
 - Deregulation
 - Infrastructure
- 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
 - 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

Overweight

Visible Growth/
Developed Markets-Focused

*Non-cyclical, attractive
valuation, limited FX risk,
govt. policy beneficiaries, low
beta, and U.S./developed
markets exposure*

Overweight

Pro-Cyclical/
Policy Beneficiaries

*U.S. exposure, high tax
rates, pro-cyclical, high
beta, strong balance
sheets, limited impact
from higher interest rates*



Underweight

Slower Growth/
Limited Policy Upside

*Below average growth rates,
weak balance sheets, currency
risk, reliance on imports, low
corporate tax rates*

WHAT STYLES WORK THROUGHOUT AN ECONOMIC CYCLE



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

DISCLOSURES

Sit Mutual Funds

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

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.

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.

This presentation should not be considered a recommendation of any particular security or strategy, nor should it be considered a solicitation or offering to sell securities or an interest in any fund.