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**SIT MUTUAL FUNDS  
INVESTMENT PRESENTATION  
SEPTEMBER 30, 2019**

These presentation materials were prepared for institutional use only and must be preceded or accompanied by a prospectus. This material is for illustration purposes only and does not constitute an offer to buy or sell a security.

Sit Investment Associates, Inc.  
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## **OUTLINE OF PRESENTATION**

- I. ORGANIZATION**
- II. U.S. GOVERNMENT SECURITIES FUND**
- III. DISCLOSURES**

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## **I. ORGANIZATION**

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## **CORPORATE VALUES AND GOALS**

### **ESTABLISHED WITH THE FOUNDING OF THE FIRM IN 1981**

#### **OUR CORPORATE VALUES**

- To operate under the highest ethical and professional standards.
- To put our clients first in everything we do. We realize that the success of our clients results in our success.
- To maintain our uncompromising commitment and adherence to our investment philosophy and style, while continually seeking ways to enhance our successful investment process.
- To always work hard for our clients, expending the effort they deserve in all aspects of the investment management and client reporting process.

#### **OUR CORPORATE GOALS**

- To provide superior investment management products for discriminating investors.
- To act as a “true extension” of the client’s own operations, providing highly individualized services in an increasingly challenging investment environment.
- To control effectively our own destiny, avoiding imposed pressures for “growth,” thereby allowing us to provide the services we believe our clients require and deserve.

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**SIT MUTUAL FUNDS**  
**A FAMILY OF NO-LOAD MUTUAL FUNDS**  
**SPECIALIZING IN GROWTH EQUITY PORTFOLIOS AND FIXED INCOME**

**OUR MISSION STATEMENT**

The firm is dedicated to a single purpose: to be a premier investment management firm.

**SIT INVESTMENT ASSOCIATES, INC. TOTAL ASSETS UNDER MANAGEMENT**  
**AS OF SEPTEMBER 30, 2019: \$13.4 BILLION**

- Equity \$2.1 Billion
- Fixed Income \$11.3 Billion
- Institutional Separate Accounts \$11.2 Billion
- Sit Mutual Funds \$2.2 Billion

**HISTORY**

**1981**

- Sit Investment Associates, Inc. is founded in Minneapolis by Eugene C. Sit. The company is one of the largest minority-owned advisory firms in the U.S.
- Sit Mutual Funds formed

**1984**

- Sit Fixed Income division formed to manage taxable and tax-exempt fixed income portfolios

**1989**

- Sit International division formed to manage international and global portfolios

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## INVESTMENT PHILOSOPHY

### EQUITY MANAGEMENT

- To achieve superior long-term absolute and real returns through investing in growth-oriented investment opportunities.
- We invest primarily in high quality growth companies worldwide that have the potential to increase earnings at a faster rate than the representative economy and market index and are at reasonable valuation levels.

### FIXED INCOME MANAGEMENT

- To attain consistent, superior risk-adjusted returns using a conservative investment style.
- We utilize investment grade securities, with special emphasis on fixed income securities that provide high interest income and stability of principal value.

## SIT INVESTMENT ASSOCIATES PROFESSIONALS

### EQUITY

	Years of Investment Experience	Years with SIA
Roger J. Sit	29	21
Kent L. Johnson, CFA	26	30
Ronald D. Sit, CFA	35	35
David A. Brown, CFA	24	22
Denise A. Anderson, Ph.D.	21	10
Joseph R. Eshoo	24	11
Michael T. Manns	32	5
Michael C. Marzolf	21	3
Tasha M. Murdoff	19	23
Mark A. Pepper	20	16
Raymond E. Sit	28	28
Robert W. Sit, CFA	28	28
Stacey M. Curme	22	26
Ningning Tang, CFA	15	11
Bradley W. Meyer	16	18
Lee J. Feltman, CFA	12	12
Eric M. Manthe	8	14
Nicholas D. Tich	11	14
Samuel K. V. Krawczyk	5	5

**Total Investment Experience: 396**  
**Average Investment Experience: 20.84**

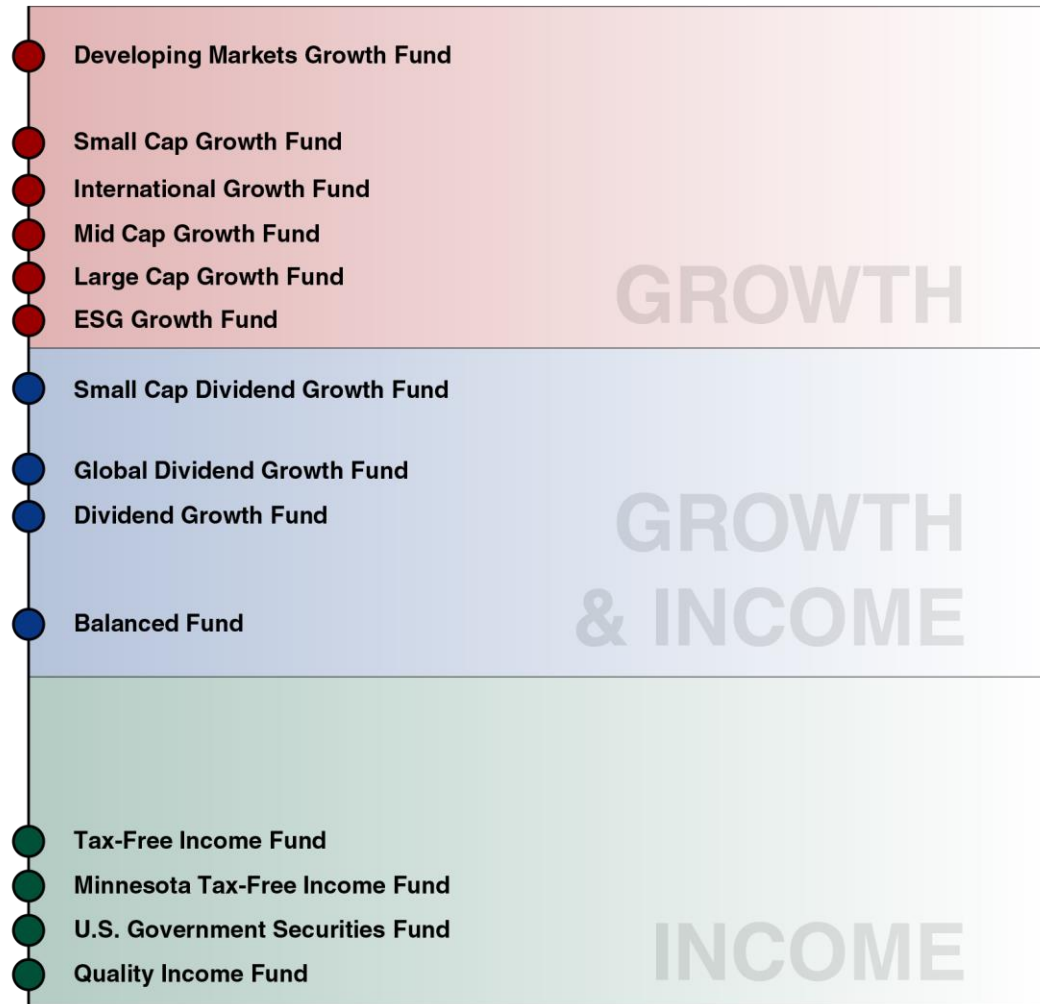
### FIXED INCOME

	Years of Investment Experience	Years with SIA
Roger J. Sit	29	21
Bryce A. Doty, CFA	29	23
Paul J. Jungquist, CFA, CPA	25	25
Mark H. Book, CFA, CMA	33	19
Kurt van Kuller, CFA	39	1
Christopher M. Rasmussen, CFA	19	20
Todd S. Emerson, CFA	24	13
Jessica A. Ersfeld, CFA	12	12
Michael C. Hubbard, CFA	13	8
Michael J. Reich, CFA	14	15
Kevin P. O'Brien, CFA	16	18
Jason B. Miller, CFA	12	5
Andrew J. Tich, CFA	12	13
Nick F. Ochsner, CFA	7	1
Joseph H. Lepinski	13	12
Marci A. Lorge	35	31
Brian R. Gilbert	25	25
Michael J. Book	4	0

**Total Investment Experience: 332**  
**Average Investment Experience: 19.53**

## SIT MUTUAL FUND OFFERINGS

Higher Risk  
Higher Growth Potential



Lower Risk  
Lower Growth Potential

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## **II. U. S. GOVERNMENT SECURITIES FUND**

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## INVESTMENT PHILOSOPHY, OBJECTIVE AND STRATEGY

- **The Sit U.S Government Securities Fund (“Fund”) seeks to attain consistent, superior risk-adjusted returns using a conservative investment approach. The objective is to provide high current income and safety of principal by investing exclusively in U.S. government securities which are issued, guaranteed or insured by the U.S. government or its agencies or instrumentalities.**
- **Fund managers search for securities providing high current income relative to yields currently available in the market. Considerations include their economic outlook, prepayment risk, yield, maturity and liquidity. Seasoned, high-coupon, mortgage pools with stable prepayment histories are favored. Managers attempt to maintain an average effective duration for the portfolio of approximately 1 to 4 years.**

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## RISK MANAGEMENT

Risk management is a very important factor in achieving the high risk-adjusted returns that the Fund seeks. Fund managers monitor portfolio interest rate related risks by measuring traditional durations based on bond maturities, and adjusted durations based on the expected average lives of individual securities. Fund managers do not substantially shift portfolio durations with the expectation that there is substantial value added from aggressive duration shifts.

Below is a list of the Fund's attributes for primary fixed income market risk measures:

- **Interest Rate Risk:** The Fund's duration is generally kept between 1 to 4 years.
- **Credit Risk:** Minimal. All securities are U.S. Treasury/Agency issues.
- **Prepayment Risk:** The mortgages favored by the Fund are seasoned, high coupon securities which have relatively stable and predictable prepayment characteristics. These securities tend to have relatively short durations and therefore do not have the price risk of more traditional MBS issues.
- **Yield Curve Risk:** Fund managers do not make "bets" on the expected shape of the yield curve. Managers seek strong risk-adjusted returns from an emphasis on income, not on the direction of interest rates.
- **Call Risk:** Minimal. The Fund rarely uses callable securities.

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## AVERAGE ANNUAL TOTAL RETURNS AS OF SEPTEMBER 30, 2019

	<u>1 Yr</u>	<u>3 Yrs</u>	<u>5 Yrs</u>	<u>10 Yrs</u>	<u>Since Inception</u>	<u>30-Day SEC Yield</u>
<b>Sit U.S. Government Securities Fund</b>	<b>4.68</b>	<b>1.74</b>	<b>1.83</b>	<b>2.00</b>	<b>5.18</b>	<b>2.63</b>
Bloomberg Barclay's Intermed. Gov't Bond Index	7.52	1.82	2.18	2.34	5.38	

\*The Sit U.S. Government Securities Fund's inception was June 2, 1987.

**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 at [www.sitfunds.com](http://www.sitfunds.com) or 800-332-5580. 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 administration expenses are included in the Fund's performance. Returns for periods greater than one year are compounded average annual rates of return.

## SIT U.S. GOVERNMENT SECURITIES FUND

### SECTOR WEIGHTINGS

	12/14	12/15	12/16	12/17	12/18	9/19	Bloomberg Barclays Interm Gov't Index 9/19
U.S. Treasury Bonds	1 %	4 %	2 %	1 %	1 %	1 %	97 %
U.S. Agency Bonds	0	0	0	0	0	0	3
Agency CMO's	48	53	50	51	54	60	0
TIPS	0	0	0	0	0	0	0
Mortgage Pass-Through Securities	44	36	44	42	41	35	0
Asset Backed Securities	3	3	2	2	2	2	0
Cash	4	4	2	4	2	2	0
Totals	100 %	100 %	100 %	100 %	100 %	100 %	100 %
Sit Gov't. Fund Quality	AGY / AGY	AGY / AGY	AGY / AGY	AGY / AGY	AGY / AGY	AGY / AGY	
Sit Gov't. Fund Duration (years)	1.3	1.0	1.2	2.3	2.7	<b>2.7</b>	
Bloomberg Barclays Interm. Gov't. Dur. (yrs)	3.7	3.8	3.9	3.8	3.8	<b>5.2</b>	
Sit Gov't. Fund 30-Day SEC Yield	3.1 %	2.8 %	2.3 %	2.7 %	3.2 %	<b>2.6 %</b>	
Bloomberg Barclays Interm. Gov't. Yield	1.2 %	1.5 %	1.7 %	2.1 %	2.5 %	<b>2.1 %</b>	

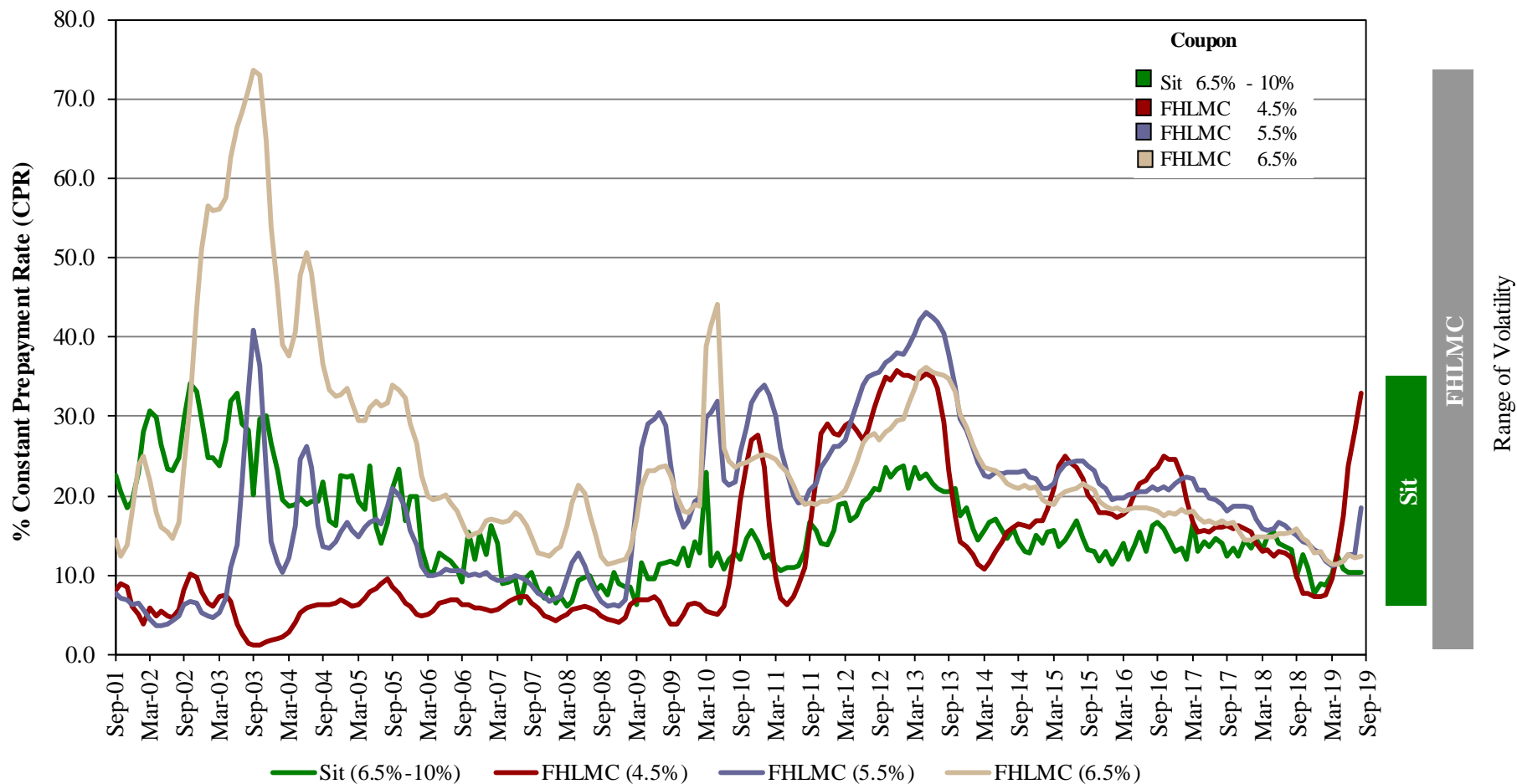
**Duration** is a measure of estimated price sensitivity relative to changes in interest rates. Portfolios with longer durations are typically more sensitive to changes in interest rates. For example, if interest rate rise 1%, the market value of a security with an effective duration of 5 years would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

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## SEASONED MORTGAGES HAVE LOWER PREPAYMENT EXPERIENCE

High coupon seasoned mortgages exhibit the most stable prepayments.



Source: Sit Investment Associates, Inc.

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## SEASONED GOVERNMENT AGENCY MORTGAGES - SIMPLIFIED EXAMPLE

Coupon	Purchase Cost		Par		Premium Paid
6.00%	\$109,000	—	\$100,000	=	\$9,000

### ONE YEAR PROFIT / LOSS SCENARIOS

	Interest Received		Premium Loss		Profit	Profit / Cost
1) Nobody refinances	\$6,000	—	\$0	=	\$6,000	5.50%
2) One-fifth is refinanced after 6 months	\$5,400	—	\$1,800	=	\$3,600	3.30%
3) Half is refinanced after 6 months	\$4,500	—	\$4,500	=	\$0	0.00%
4) All is refinanced after 6 months	\$3,000	—	\$9,000	=	-\$6,000	-5.50%

Source: Sit Investment Associates, Inc.

# SIT U.S. GOVERNMENT SECURITIES FUND

## QUARTERLY RATES OF RETURN

	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>YTD</u>		<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>	<u>YTD</u>
1987		1.00*	-1.07	6.14	6.05**	2004	1.52	-0.58	1.87	0.52	3.35
1988	4.10	1.27	1.63	0.67	7.86	2005	0.13	1.97	-0.17	0.55	2.49
1989	1.45	4.72	1.27	3.21	11.04	2006	0.09	0.43	2.33	1.26	4.13
1990	0.32	4.02	1.44	4.83	10.97	2007	1.67	0.12	2.43	2.55	6.92
1991	2.54	1.05	4.73	4.01	12.87	2008	3.05	-0.17	0.99	1.19	5.13
1992	-0.77	3.50	2.13	0.52	5.43	2009	2.12	1.78	2.51	1.17	7.78
1993	2.77	1.90	1.26	1.23	7.34	2010	1.26	1.10	1.50	0.96	4.91
1994	0.19	-0.02	1.07	0.51	1.77	2011	0.74	1.50	0.43	0.03	2.72
1995	2.85	3.26	1.98	2.95	11.50	2012	0.99	0.73	0.85	0.07	2.67
1996	0.42	0.66	1.69	2.14	4.99	2013	-0.27	-1.48	-0.35	0.01	-2.08
1997	0.00	3.00	3.04	1.95	8.19	2014	0.63	0.35	0.60	0.62	2.22
1998	1.39	1.70	2.34	0.94	6.52	2015	0.78	-0.08	0.50	0.21	1.42
1999	0.00	0.04	0.85	0.47	1.37	2016	0.99	0.72	0.18	-1.19	0.69
2000	1.53	1.72	2.19	3.42	9.15	2017	1.25	0.45	0.21	0.35	1.33
2001	2.63	1.59	3.17	0.91	8.56	2018	-0.25	0.30	0.42	1.31	1.77
2002	0.72	2.33	1.87	0.77	5.79	2019	1.25	1.30	0.74	--	3.33
2003	0.53	0.23	0.00	0.42	1.19						

\* Return is from 6/2/87 through 6/30/87

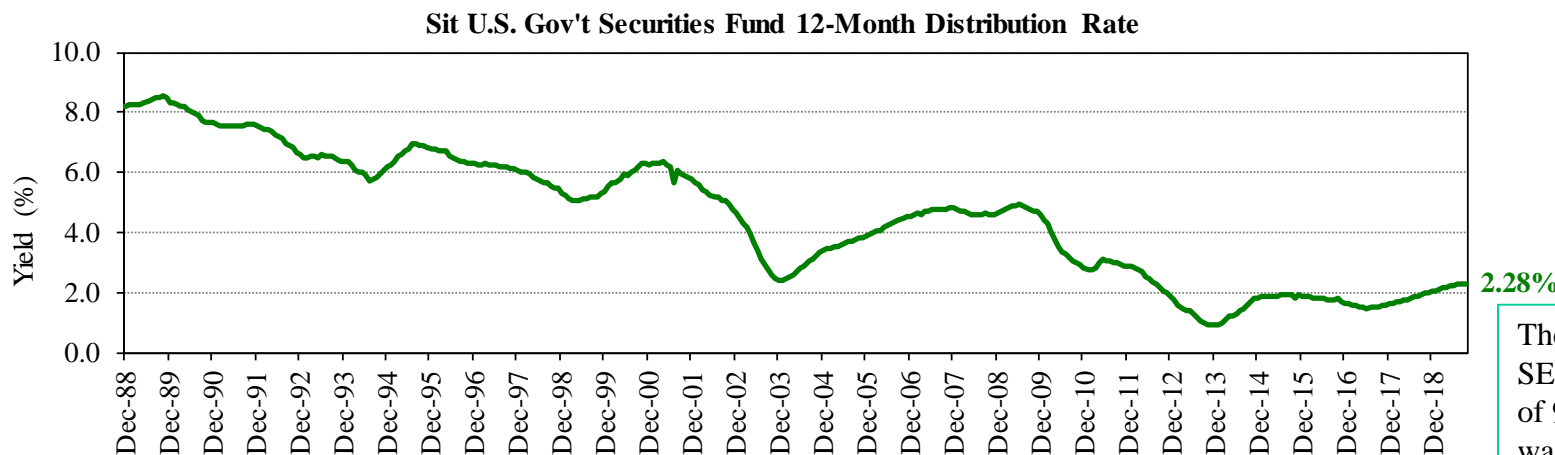
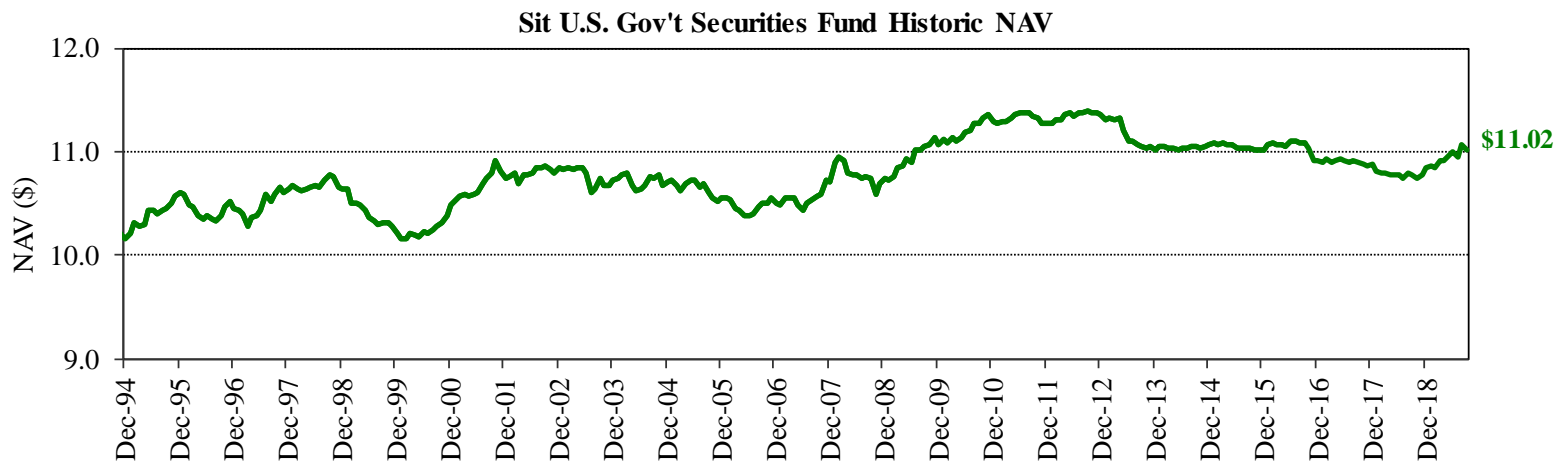
\*\* Return is from 6/2/87 through 12/31/87

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# SIT U.S. GOVERNMENT SECURITIES FUND HISTORIC NAV AND 12-MONTH DISTRIBUTION RATE



The 30-Day  
SEC Yield as  
of 9/30/19  
was 2.63%

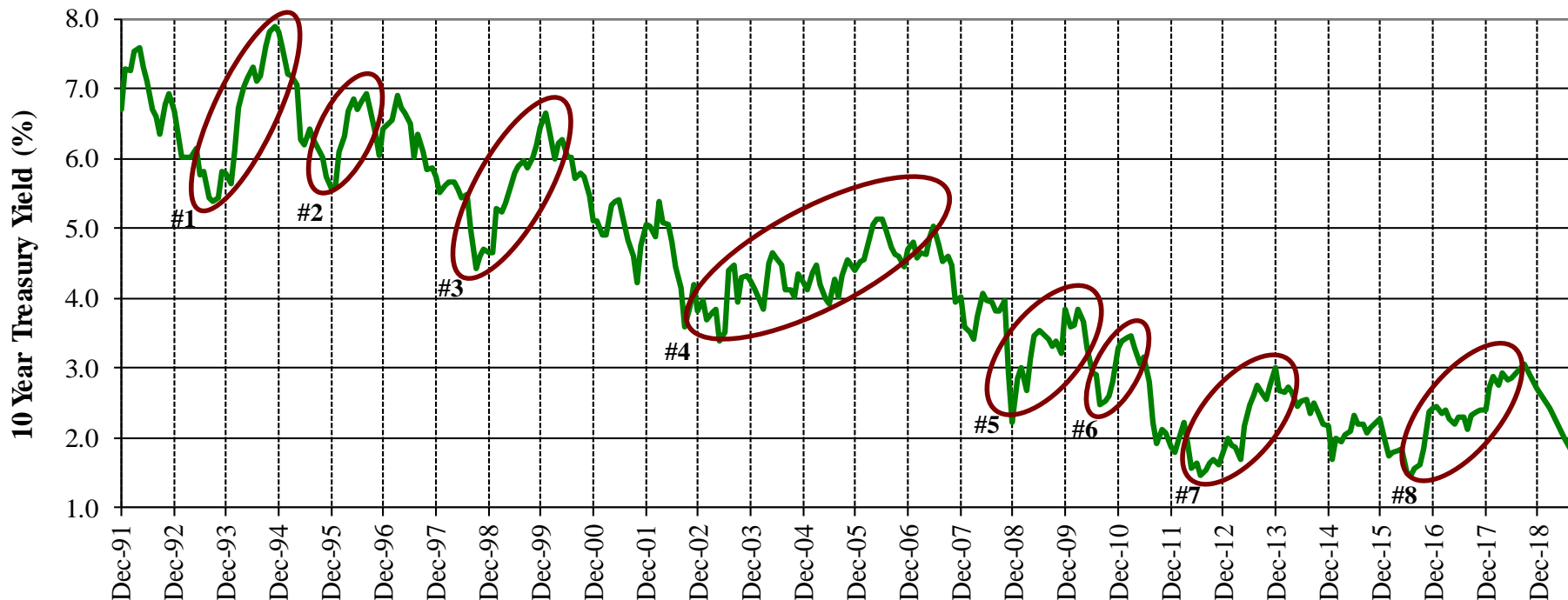
**Source:** Sit Investment Associates, Inc.

The **30-Day SEC Yield** reflects the rate at which the Fund is earning income on its current portfolio of securities, while the **Distribution Rate** reflects the Fund's past dividends paid to shareholders based on the net investment income distributed and the average NAV during the past 12 months.

## HISTORIC INTEREST RATE LEVELS

### 10-Year U.S. Treasury

10 Year Treasury Yield (Highlighting 7 Bear Markets) - 12/31/91 - 9/30/19



Source: Sit Investment Associates Inc.

Total Returns by Calendar Year

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	YTD 2019	3Q2019
Sit U.S. Gov't. Securities Fund	11.50	4.99	8.19	6.52	1.37	9.15	8.56	5.79	1.19	3.35	2.49	4.13	6.92	5.13	7.78	4.91	2.72	2.67	-2.08	2.22	1.42	0.69	1.33	1.77	3.89	0.94
Bloom. Barc. Inter. Gov't. Bond Index	14.41	4.06	7.72	8.49	0.49	10.47	8.42	9.64	2.29	2.33	1.68	3.84	8.47	10.43	-0.32	4.98	6.08	1.73	-1.25	2.52	1.18	1.05	1.14	1.43	5.18	1.18

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### III. DISCLOSURES

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## DISCLOSURE PAGE

Mutual fund investing involves risk; principal loss is possible. There is no guarantee that a Fund's objectives will be achieved, and the market value of securities held by a Fund may fall or fail to rise. Fund holdings, sector allocations (as % of market value) and portfolio characteristics may change at any time and are not investment recommendations. More information on the risks specific to each Fund is included in each Fund's prospectus. Prospectuses may be obtained by calling Sit Mutual Funds at 800-332-5580 or at [www.sitfunds.com](http://www.sitfunds.com). Read the prospectus carefully before investing.

### **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.

### **Index Descriptions**

The **Barclays Intermediate Government Index** is a sub-index of the Bloomberg Barclays Government Bond Index covering issues with remaining maturities of three to five years. The **Bloomberg Barclays Government Bond Index** measures the performance of securities of the U.S. Government, including public obligations of the U.S. Treasury of one year or more, and publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government. It is not possible to invest directly in an index.

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## DISCLOSURE PAGE

### **Definition of Terms**

**Effective duration** is calculated based on historical price changes of securities held by the Fund utilizing empirical historical pricing, estimated average life yield, estimated average life price, and estimated average life date as opposed to maturity, which the Adviser believes is a more accurate estimate of price sensitivity provided interest rates remain within their historical range. Investments in debt securities typically decrease in value when interest rates rise. The risk is usually greater for long-term debt securities. Effective Durations reported herein are calculated by the Adviser and may differ from duration estimates reported in other materials that are based on different methods of calculating duration utilizing different assumptions.

**Constant Prepayment Rate (CPR)** measures mortgage prepayments as a percentage of the current outstanding mortgage pool balance. A 10% CPR means that 10% of the mortgage pool's balance is likely to prepay over the next year.

**Yield to Worst** is the lower of either the yield to maturity or yield to call. It is the lowest possible yield an investor will receive without a default occurring.

**Constant Prepayment Rate (CPR)** measures the rate at which loans (mortgages for example) are paid back. For example, a 10% CPR means that 10% of the outstanding principal is expected to be paid back during the period. Higher prepayment rates mean the loan(s) is being paid back at a faster rate, and in times of declining interest rates this may lower an investor's total return as the returned principal may have to be reinvested in lower-yielding securities.