

Cover Page *Item 1*

Firm Brochure
Form ADV Part 2A

SIT FIXED INCOME ADVISORS II, LLC

3300 IDS Center
80 South Eighth Street
Minneapolis, MN 55402-2211

612-332-3223

www.sitinvest.com

March 30, 2015

This brochure provides information about the qualifications and business practices of Sit Fixed Income Advisors II, LLC. If you have any questions about the contents of this brochure, please contact us at 612-332-3223. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Sit Fixed Income Advisors II, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Sit Fixed Income Advisors II, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an adviser.

Material Changes *Item 2*

Annual Update

This section of the brochure will be updated annually and will include a summary of material changes to this brochure since the last annual update. We may further provide other ongoing disclosure information about material changes as necessary.

Material Changes since the Last Update

This brochure dated March 30, 2015 contains the following material changes since the last brochure dated March 26, 2014:

Item 5 – Fees and Compensation and Item 10 - Other Financial Industry Activities and Affiliations: The list of affiliated private investment companies managed by Sit Investment Associates, Inc. and its affiliates was updated to remove a fund that closed during 2014.

Item 5 – Fees and Compensation: The schedule of Sit Fixed Income Advisors II, LLC's most significant fee schedules was revised to include additional strategies.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss: The risks were revised to include the general risks associated with investments in closed-end funds.

Item 10 – Other Financial Industry Activities and Affiliations: The section was revised to include Sit Fixed Income Advisors II, LLC's registration as a commodity trading adviser and commodity pool operator effective November 21, 2014.

Full Brochure Available

To receive a current brochure (free of charge) please contact us at 612-332-3223.

Our brochure is also available on our web site www.sitinvest.com.

Additional information about Sit Fixed Income is also available via the SEC's web site www.adviserinfo.sec.gov.

Table of Contents *Item 3*

Table of Contents

| | |
|---|-----|
| Cover Page <i>Item 1</i> | i |
| Material Changes <i>Item 2</i> | ii |
| Table of Contents <i>Item 3</i> | iii |
| Advisory Business <i>Item 4</i> | 1 |
| Fees and Compensation <i>Item 5</i> | 3 |
| Performance-Based Fees and Side-By-Side Management <i>Item 6</i> | 6 |
| Types of Clients <i>Item 7</i> | 7 |
| Methods of Analysis, Investment Strategies and Risk of Loss <i>Item 8</i> | 8 |
| Disciplinary Information <i>Item 9</i> | 13 |
| Other Financial Industry Activities and Affiliations <i>Item 10</i> | 14 |
| Code of Ethics, Interest in Client Transactions and Personal Trading <i>Item 11</i> | 16 |
| Brokerage Practices <i>Item 12</i> | 17 |
| Review of Accounts <i>Item 13</i> | 19 |
| Client Referrals and Other Compensation <i>Item 14</i> | 19 |
| Custody <i>Item 15</i> | 20 |
| Investment Discretion <i>Item 16</i> | 20 |
| Voting Client Securities <i>Item 17</i> | 20 |
| Financial Information <i>Item 18</i> | 22 |
| Requirements for State-Registered Advisers | 22 |
| Privacy Policy | 22 |
| Business Continuation Policy | 23 |
| Class Action Settlements | 23 |
| Brochure Supplement | 24 |

Advisory Business *Item 4*

Firm Description

Sit Fixed Income Advisors II, LLC (“Sit Fixed Income”) is a privately owned independent investment adviser located in Minneapolis, Minnesota and founded in 1984. We manage our clients’ assets on a discretionary basis.

Sit Fixed Income manages taxable and tax-exempt fixed income securities. Its parent company Sit Investment Associates, Inc. is a separately registered investment advisers and specializes in managing equity growth securities. Sit Fixed Income and its parent are located in the same Minneapolis office and share all resources. The equity investment management services offered by our parent company are discussed in a separate brochure.

Ownership

Sit Fixed Income is owned by:

| | |
|---------------------------------|------------|
| Sit Investment Associates, Inc. | 70% |
| Employees | <u>30%</u> |
| Total | 100% |

Sit Investment Associates, Inc. is a privately owned independent investment adviser founded in 1981. Approximately 86% of Sit Investment is owned by members of the Sit Family and by trusts established for their benefit, the trustees of which are Roger J. Sit, Debra A. Sit, Ronald D. Sit, and Ralph L. Strangis. Roger J. Sit, Debra A. Sit, and Ronald D. Sit are officers of Sit Investment and actively involved in the management operations. Ralph L. Strangis is a director of the Sit Investment. The outstanding shares of Sit Investment are held by:

| | |
|----------------------|-----------|
| Sit Family | 86% |
| Other Employees | 7% |
| Outside Directors | 4% |
| Outside Shareholders | <u>3%</u> |
| Total | 100% |

Investment Management – Fixed Income Investment Philosophy

We believe the consistent attainment of superior risk-adjusted returns is achievable using a conservative investment management approach with:

- investment grade securities;
- special emphasis on interest income;
- significant stability of principal value.

To this end, we utilize a bottom-up strategy which looks for securities and market sectors with strong risk/reward potential. Although we do place a great deal of emphasis on interest rate projection and interest rate movement, we are not duration managers.

Within the stated philosophy, our fixed income separate account objectives are established to:

- provide superior results compared to benchmarks and managers of a similar style;
- avoid excessive return volatility and generate consistent returns over an economic cycle;
- structure portfolios to meet specific client needs.

Investment Management – Decision Making Process

The day-to-day management of client portfolios is the responsibility of the portfolio managers who are responsible for executing the trades. Duration targets are the responsibility of Michael C. Brillee, Chief Fixed Income Officer, and interest rate decisions are the responsibility of Roger J. Sit, CEO and Global Chief Investment Officer. All transactions are reviewed on a daily basis. In addition, a monthly review of portfolio durations, sector weightings, ratings and security holdings is conducted.

Assets Under Management

Sit Fixed Income manages client assets on a discretionary basis for several types of clients, including, public and private institutional investors, pension funds, Taft-Hartley plans, charitable institutions, foundations, endowments, corporations, insurance companies, municipalities, registered investment companies, private investment companies and high net worth individuals. As of December 31, 2014 we managed \$7.0 billion. We also manage a few client accounts on a non-discretionary basis as an accommodation to clients. The non-discretionary accounts as of December 31, 2014 totaled \$170 million. Please refer to Item 7 for information regarding the accounts managed by Sit Fixed Income and its affiliated advisers.

Sit Fixed Income serves as the general partner or manager for several of the investment companies to which it provides investment advisory services.

A small percentage of the client assets we manage are through wrap fee programs sponsored by non-affiliated brokers, investment advisers, or consulting firms. These sponsor firms generally enter into contracts with their clients to provide a variety of services for a predetermined fee. These fees typically include all or some of the following: asset allocation, selection of advisers, payment of advisers' management fees, custody of client assets, execution of trades for the client at no additional fee or commission, and the monitoring of the investment performance on client assets. Under the terms of such programs, the sponsor is responsible for compensating Sit Fixed Income for investment management services provided to the clients based on the value of the assets in each client account that Sit Fixed Income manages under the sponsor's program. The fee rate paid by clients participating in the sponsor's program is based on the total assets managed by Sit Fixed Income under the program. As these programs are generally part of a multiple client program, they offer efficiencies to participating managers. As such, fees paid to Sit Fixed Income may be lower than are otherwise available. It is the responsibility of the sponsor to notify the client of the services provided by Sit Fixed Income and the portion of the attributable fee paid.

We manage our wrap fee accounts in the same manner as our other accounts. However, wrap fee accounts may have lower account minimums than our other accounts and, therefore, we may not be able to manage them identically to our larger accounts.

Fees and Compensation *Item 5*

The specific manner in which fees are calculated and paid to Sit Fixed Income is established in the investment management agreement with each client. Generally, fees are stated at an annual rate, calculated quarterly as a percentage of net asset value at the end of each calendar quarter, and payable quarterly in arrears. Fees paid by investment company clients are generally calculated and paid monthly in arrears. Clients in certain wrap fee programs may be billed monthly by the wrap program sponsor according the terms of the program. The net asset value is generally determined based on the aggregate market value of all assets held in the account. Management fees are prorated for material capital contributions or withdrawals made during the calendar quarter, and fees are prorated for accounts initiated or terminated during the quarter.

Depending on specific circumstances, such as, for example, a large amount of assets managed for a client, fees may be subject to negotiation.

Sit Fixed Income's fees are exclusive of brokerage commissions, transaction fees, and other portfolio related costs and expenses which are incurred by the client. Clients may incur charges imposed by custodians, brokers, and consultants. Item 12 further describes the factors that Sit Fixed Income considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of the commissions.

Clients may request to be billed in advance, and in the event such a client terminates its agreement, unearned fees will be promptly refunded. Clients may also request that Sit Fixed Income send a copy of its invoice directly to its custodian, who will in turn direct payment from the client's account.

Generally, clients may terminate their contract with Sit Fixed Income on thirty days written notice, or in some cases at any time without notice. Each registered investment company may terminate the investment management agreement with Sit Fixed Income on sixty days written notice provided the investment company's Board of Directors consents or a majority of the investment company's shareholders consent. The investment management agreements are terminated automatically if assigned. All terminations are without penalty.

Sit Fixed Income provides investment management services to tax-exempt charitable organizations and makes a charitable contribution to certain of such organizations. The charitable contributions may be equal to a fixed percentage of the investment management fees paid to Sit Fixed Income by the charitable organizations.

Sit Fixed Income's most significant fee schedules are presented below.

Separate Account Management by strategy:

| Balanced | |
|------------------------|--------------------|
| <u>Net Asset Value</u> | <u>Annual Rate</u> |
| First \$10 million | 0.75% |
| Next \$10 million | 0.70% |
| Next \$10 million | 0.65% |
| Next \$10 million | 0.60% |
| Next \$10 million | 0.55% |
| Over \$50 million | Negotiable |

Taxable Short Duration
Taxable Intermediate Duration (Government)
Quality Income
Taxable Municipal Bond
Municipal Short Duration
Municipal Intermediate Duration
Municipal 7-Year Duration
Municipal Total Return

| <u>Net Asset Value</u> | <u>Annual Rate</u> |
|------------------------|--------------------|
| First \$20 million | 0.40% |
| Next \$30 million | 0.30% |
| Next \$50 million | 0.25% |
| Over \$100 million | Negotiable |

Taxable Intermediate Duration
Taxable Total Return

| <u>Net Asset Value</u> | <u>Annual Rate</u> |
|------------------------|--------------------|
| First \$20 million | 0.40% |
| Next \$80 million | 0.25% |
| Over \$100 million | Negotiable |

Taxable Return Plus
Municipal Return Plus

0.40% on all assets, plus a
performance fee equal to 20% of the
excess return over benchmark
or,
a 1.00% fee and no performance fee.

Municipal High Income

| <u>Net Asset Value</u> | <u>Annual Rate</u> |
|------------------------|--------------------|
| All assets | 0.50% |

The rate applicable to any particular portfolio may reflect the total of all assets managed on behalf of a client by Sit Fixed Income and its affiliates. The rate applicable may also reflect the total of all assets managed on behalf of a client's financial consultant or financial intermediary by Sit Fixed Income and its affiliates.

Sit Fixed Income manages accounts on a discretionary basis through wrap fee programs sponsored by non-affiliated brokers, investment advisers, or consulting firms. Under the terms of such programs, the sponsor of the program is responsible for compensating Sit Fixed Income for investment management services provided to the clients based on the value of the assets in each client account that Sit Fixed Income manages under the sponsor's program. The fee rate paid by clients participating in the sponsor's program is based on the total assets managed by Sit Fixed Income under the program. As these programs are generally part of a multiple client program, they offer efficiencies to participating managers. As such, fees paid to Sit Fixed Income may be lower than are otherwise available. It is the responsibility of the sponsor to notify the client of the services provided by Sit Fixed Income and the portion of the attributable fee paid.

Affiliated Registered Investment Company Management (Mutual Funds):

Sit Fixed Income assists its parent company Sit Investment Associates, Inc. in the management of the following registered investment companies that are part of the Sit Mutual Funds, a family of no-load mutual funds:

- Sit Tax-Free Income Fund
- Sit Balanced Fund
- Sit Minnesota Tax-Free Income Fund
- Sit U.S. Government Securities Fund and
- Sit Quality Income Fund

Affiliated Private Investment Company Management:

Sit Fixed Income or an affiliate has entered an investment management agreement with each of the following private investment companies to serve as investment adviser. Sit Fixed Income or the affiliate also serves as the general partner or manager for such funds. Interests in the private investment companies are offered to a limited number of selected institutional and other sophisticated investors. Investments in the private investment companies are subject to a number of restrictions with regard to investments, transfers and withdrawals.

Sit Fixed Income (or an affiliate as the case may be) receives a management fee based on the value of the fund's or each investor's capital account at the end of each month or calendar quarter, at the annual rates shown below. Each investment company is obligated to pay for all of its operating expenses not specifically assumed by Sit Fixed Income (or affiliate) pursuant to the investment management agreement, including, but not limited to, management fees, custodian fees, trading adviser fees, charges and expenses of independent auditors, legal counsel, and registrars, insurance expenses, taxes and registration fees payable to federal or other governmental agencies, costs of share certificates, interest, brokerage commissions, other transaction charges relating to the Fund's investing activities and extraordinary expenses. However, for the years 2000 through 2014, Sit Fixed Income (or affiliate) has voluntarily agreed to absorb all expenses of certain investment companies that would cause such investment company's annual expense ratio to exceed a certain amount.

| | <u>Net Assets</u> | <u>Annual Rate</u> |
|--|-----------------------|------------------------|
| Funds Managed by Sit Fixed Income | | |
| Sit Opportunity Bond Fund, LLC (a) | On all assets | 0.40% |
| Sit Minnesota Municipal Bond Fund, LLC | On all assets | 0.60% |
| Sit Municipal Opportunity Bond Fund, LLC (a) | On all assets | 0.40% |
| Sit Custom Alpha Fund, L.P. | On all assets | Note (b) |
| Sit Bond Portfolio, L.P. | On all assets | 1.50% |
| Sit Short Duration Government Fund, LLC | On all assets | 0.40% |
| Sit Alpha II Bond Fund, Ltd. | Value: | |
| | On first \$50 million | 1.43% |
| | next \$50 million | 1.33% |
| | over \$100 million | 1.19% |
| Sit Alpha III Bond Fund, Ltd. | Class A | 1.50% |
| | Class B (c) | 0.40% |
| Sit Offshore Custom Alpha Fund SPC | Class A shares | 1.50% |
| | Class B shares (c) | 0.40% |
| Sit Targeted Opportunity Fund, LLC | On all assets | Note (d) |

| | <u>Net Assets</u> | <u>Annual Rate</u> |
|--|-------------------|--------------------|
| Funds Managed by Sit Investment Associates, Inc.: | | |
| Sit/Kim International Investment Limited Partnership | On all assets | Note (e) |
| Sit Large Cap Fund, LLC | On all assets | 0.80% |
| Sit Small Cap Fund, LLC | On all assets | 1.10% |
| Sit Small Cap Fund II, LLC | On all assets | 1.10% |
| Sit Global Fund, LLC | On all assets | 1.00% |
| Sit Pacific Basin Fund, LLC | On all assets | 1.10% |
| Sit Capital Fund Limited Partnership | On all assets | 1.00% |
| Sit Dividend Growth Fund, LLC | On all assets | 0.80% |
| Sit Dividend Growth Fund II, LLC | On all assets | 0.80% |
| Sit Global Dividend Growth Fund, LLC | On all assets | 1.00% |

Notes:

(a) In addition to the management fee, Sit Fixed Income is entitled to a performance based fee. The performance fee is equal to 20% of the difference between the fund's total investment return for the calendar year and the total return for such year of a specific index increased by 1%. The performance fee is computed as of December 31 of each year.

(b) 1.25% per annum management fee for Series G of the Fund. For Series A through F of the Fund, the per annum management fee is 1.50% or 0.40% with an annual Incentive Allocation equal to 30% of the excess during any calendar year of any net increase over the Benchmark Return applicable to the Series to which the member subscribed. The Benchmark Return applicable to each Series is the performance such capital account would have realized if its return equaled the return of a specific index relating to each Series.

(c) In addition to the management fee, Sit Fixed Income is entitled to a performance based fee. The performance fee is equal to 30% of the difference between the fund's total investment return for the calendar year and the total return for such year of a specific index. The performance fee is computed as of December 31 of each year.

(d) 1.90% per annum management fee or 1.00% per annum management fee with a performance fee of 20% of the excess return for the calendar year performance period and an 8% hurdle rate.

(e) Sit/Kim International Investment Limited Partnership is in the process of liquidation and Sit Investment Associates, Inc. has agreed to waive any further management fees.

Performance-Based Fees and Side-By-Side Management *Item 6*

Sit Fixed Income manages several client accounts including private investment funds with fee arrangements that provide for an asset based management fee and a performance based fee. A performance fee arrangement is offered for only certain investment strategies to qualified clients. The specific terms of the arrangements are set forth in the investment management agreements with the clients and in the case of the private investment funds, in the fund's offering documents.

Conflicts of interest may arise from the simultaneous management of accounts with and accounts without a performance based fee. Sit Fixed Income' investment process and account review procedures address these conflicts. Client accounts are managed to minimize the variations in client portfolios that have similar investment objectives and strategies. All transactions are reviewed on a daily basis. Additionally, a monthly review of portfolio durations, sector weightings, ratings and security holdings is conducted.

Types of Clients *Item 7*

Sit Fixed Income manages client assets on a discretionary basis for several types of clients, including, public and private institutional investors, pension funds, Taft-Hartley plans, charitable institutions, foundations, endowments, corporations, insurance companies, municipalities, registered investment companies, private investment companies and high net worth individuals. As of December 31, 2014, we managed \$7.2 billion.

The account minimum for separately managed accounts is generally \$10 million.

Sit Fixed Income serves as the adviser, sponsor, general partner or manager for several investment companies to which it provides investment advisory services. See the response to Item 10 for information on these affiliated investment companies.

Sit Fixed Income's affiliated company, Sit Investment Fixed Income Advisors, Inc. also manages \$705 million of fixed income assets on a discretionary basis for the same types of clients. Sit Fixed Income's parent, Sit Investment Associates, Inc. manages equity securities on a discretionary basis for the same types of clients, and manages the Sit Mutual Funds, a family of funds which includes fixed income funds totaling \$1.3 billion. Sit Fixed Income assists in the management of the Sit Mutual Funds' fixed income securities. Therefore, the total fixed income securities managed by Sit Fixed Income and its affiliate Sit Investment Fixed Income Advisors, Inc. totals \$9.3 billion.

Together, Sit Investment Associates, Inc. and its subsidiaries manage \$14.5 billion fixed income and equity securities as of December 31, 2014. See the response to Item 10 for information on our affiliated companies.

Methods of Analysis, Investment Strategies and Risk of Loss *Item 8*

Analysis - Fixed Income Philosophy

We believe the consistent attainment of superior risk-adjusted returns is achievable using a conservative investment management approach with:

- investment grade securities;
- special emphasis on interest income; and
- significant stability of principal value.

To this end, we utilize a bottom-up strategy which looks for securities and market sectors with strong risk/reward potential. Although we do place a great deal of emphasis on interest rate projection and interest rate movement, we are not duration managers.

Within the stated philosophy, our fixed income separate account objectives are established to:

- provide superior results compared to benchmarks and managers of a similar style;
- avoid excessive return volatility and generate consistent returns over an economic cycle;
- structure portfolios to meet specific client needs.

Taxable Fixed Income General Strategy

Interest income provides the vast majority of a bond portfolio's total return over an interest rate cycle. Sit Investment's taxable fixed income process focuses on earning high levels of interest income from high quality securities. In general, we underweight U.S. Government & Agency bonds and overweight corporate, asset-backed and mortgage pass through-securities. Overall, our clients' investment objectives and guidelines govern our industry and sector limits more so than the benchmark.

Municipal Fixed Income General Strategy

Interest income provides the vast majority of a bond portfolio's total return over an interest rate cycle. Sit Investment's municipal fixed income process focuses on strong individual security analysis and seeks investment grade quality securities which have high levels of coupon interest income and complexities such as sinking fund and prepayment provisions. The former provides income and lower volatility. The latter produces shorter expected lives and relatively higher yield. The combination is a strong book yield and after-tax return advantage using high quality securities.

Investment Strategies and Risk of Loss

Sit Fixed Income manages client accounts with the following general investment strategies. Specific client objectives and restrictions are set forth in the investment management agreement with each client and differ from client to client. For example, clients may impose restrictions on investing in certain issuers or types of securities, or may define a benchmark differently than other clients. The following descriptions of investment strategies and instruments are not intended to be exhaustive. Sit Fixed Income may employ various additional strategies and instruments from time to time in a manner consistent a client's investment management agreement.

Investments in the fixed income portfolios may include:

- Obligations of the U.S. government, its agencies and instrumentalities;
- Mortgage-backed securities (including collateralized mortgage obligations (CMOs));
- Asset-backed securities;
- Corporate debt securities;
- Municipal obligations issued by U.S. states, territories, and possessions and the District of Columbia, and their political subdivisions, agencies and instrumentalities (both revenue bonds and general obligation bonds);
- Closed-end registered investment companies (closed-end funds) and open-end registered investment companies (mutual funds) that invest in such fixed income securities;
- preferred securities and preferred convertible securities;
- fixed income derivatives;
- exchange traded futures contracts and options for hedging purposes only and not for leverage or speculative purposes;
- whole loans; and
- Short-term debt obligations, including commercial paper and bank instruments;

The model portfolios used to manage client accounts include portfolios with the following objectives:

Taxable Portfolios:

- Taxable Municipal Securities – Barclays Aggregate Bond Index
- Return Plus (closed-end bond funds) – Barclays Aggregate Bond Index
- Targeted Opportunity (closed-end funds) – Barclays Aggregate Bond Index
- Total Return – Barclays Aggregate Bond Index
- Stable Return – government – Barclays Intermediate Government Bond Index
- Stable Return – government/corporate – Barclays Intermediate Government/Credit Bond Index
- Short Duration – Barclays 1 to 3-Year Government Bond Index
- Quality Income – Barclays 1 to 3-Year Government Credit Index
- Custom Alpha (absolute return)

Tax-Exempt Portfolios:

- Tax-Exempt Return Plus – Barclays Municipal Bond Index
- Tax-Exempt Total Return – Barclays Municipal Bond Index
- Tax-Exempt Short Duration – Barclays 3-Year Municipal Bond Index
- Tax-Exempt Stable Return – Barclays 5-Year Municipal Bond Index
- Tax-Exempt Stable Return – Barclays 7-Year Municipal Bond Index
- Tax-Exempt High Income – Composite index of 50% Barclays Municipal Bond Index and 50% Barclays High Yield Municipal Bond Index

Risks

Investing in securities involves risk of loss that clients should be prepared to bear.

The material risks of investing in fixed income securities include:

Call Risk: Many bonds may be redeemed (“called”) at the option of the issuer before their stated maturity date. In general, an issuer will call its bonds if they can be refinanced by issuing new bonds

which bear a lower interest rate. A portfolio may then be forced to invest the unanticipated proceeds at lower interest rates, resulting in a decline in a portfolio's income.

Credit Risk: The issuers or guarantors of securities (including U.S. government agencies and instrumentalities issuing securities that are not guaranteed by the full faith and credit of the U.S. government) owned by a portfolio may default on the payment of principal or interest, or the other party to a contract may default on its obligations to a portfolio, causing the value of a portfolio to decrease.

Credit Risk: The issuer of a debt security or a guarantor of a security held by a portfolio or counterparty to a transaction may default on its payment obligations or experience a decline in credit quality. Generally, the lower the credit rating of a security, issuer, guarantor or counterparty, the higher the degree of risk as to the payment of interest and return of principal. Also, a downgrade in the credit quality of a security or its issuer or guarantor may cause the security to decline in value and could affect the bond's liquidity and make it more difficult for a portfolio to sell. When a portfolio purchases unrated securities, it will depend on our analysis of credit risk without the assessment of an independent rating organization, such as Moody's or Standard & Poor's. There is always the risk that our analysis of creditworthiness is incorrect or may change due to market conditions.

High-Yield Risk: Debt securities rated below investment-grade, or if nonrated determined to be of comparable quality by us, are commonly known as junk bonds. Junk bonds are considered predominately speculative and involve greater risk of default or price changes due to changes in the issuer's creditworthiness. In addition, there may be less of a market for these securities, which could make it harder to sell them at an acceptable price. These and related risks mean that a portfolio may not achieve the expected return from non-investment grade debt securities and may be adversely affected by declines in the value of these securities.

Income Risk: The income a portfolio earns may decline due to declining interest rates. This is because, in a falling interest rate environment, a portfolio generally will have to invest the proceeds from maturing portfolio securities (or portfolio securities that have been called, see "Call Risk" below), in lower-yielding securities.

Interest Rate Risk: An increase in interest rates will cause debt securities held by a portfolio to decline in value, and thereby lower a portfolio's value and its overall return. The magnitude of this decrease is often greater for longer-term fixed income securities than shorter-term securities.

Liquidity Risk: The portfolio may not be able to sell certain debt securities with more limited trading opportunities at a favorable price or time, including high yield securities that have received ratings below investment grade. Recent events have caused the markets for some debt securities to experience lower valuations and reduced liquidity. Consequently, a portfolio may have to accept a lower price to sell a security, sell other securities to raise cash, or give up an investment opportunity, any of which could have a negative effect on a portfolio's performance. Infrequent trading may also lead to greater price volatility.

Management Risk: A portfolio's performance will reflect in part our ability to implement its investment strategy and make investment decisions which are suited to achieving a portfolio's investment objective. A strategy used by us may fail to produce the intended results. A portfolio could underperform its benchmark.

Market Risk: The market value of securities may fall or fail to rise. Market risk may affect a single issuer, sector of the economy, industry, or the market as a whole. The market value of securities may

fluctuate, sometimes rapidly and unpredictably. The market for some types of securities is highly competitive. Portfolios will be competing for investment opportunities with a significant number of financial institutions and institutional investors. Many of these competitors are larger and have greater financial, human and other resources and may in certain circumstances have a competitive advantage over the portfolio managed by us. As a result of this competition, there may be fewer attractively priced investment opportunities, which could have an adverse impact on the ability of a portfolio to meet its investment objectives or the length of time that is required for a portfolio to become fully invested. There can be no assurance that the returns on a portfolio's investments will be commensurate with the risk.

Nondiversification Risk: A portfolio that is nondiversified, as is typical of single-state municipal bond portfolio, will invest a larger portion of its assets in a limited number of issuers than a diversified portfolio. Because a relatively high percentage of a portfolio's assets may be invested in the securities of a limited number of issuers, the portfolio may be more susceptible to any single economic, political or regulatory occurrence than a diversified fund.

Political, Economic and Tax Risk: The value of, the income generated by, and the ability of a portfolio to sell a municipal security may be affected by constitutional amendment, legislative enactments, executive orders, administrative regulations and voter initiatives as well as the economics of the regions in which the issuers in which a portfolio invests are located. Municipal securities backed by current or anticipated revenues from a specific project or asset, such as revenue bonds, can be negatively affected by the discontinuance of the taxation supporting the project or assets or the inability to collect revenues for the project or from the assets. The value of municipal securities also may be adversely affected by future changes in federal or state income tax laws, including rate reductions, the imposition of a flat tax, or the loss of a current state income tax exemption. If the Internal Revenue Service determines that an issuer of a municipal security has not complied with applicable tax requirements, interest from the security could be treated as taxable, which could result in a decline in the security's value. To the extent that a municipal security in which a portfolio invests is not heavily followed by the investment community or such security issue is relatively small, the security may be difficult to value or sell at a fair price.

Prepayment and Extension Risk: Declining interest rates may compel borrowers to prepay mortgages and debt obligations underlying the mortgage-backed securities owned by a portfolio. The proceeds received by a portfolio from prepayments will likely be reinvested at interest rates lower than the original investment, thus resulting in a reduction of income to the portfolio. Likewise, rising interest rates could reduce prepayments and extend the life of securities with lower interest rates, which may increase the sensitivity of a portfolio's value to rising interest rates.

Sector Concentration Risk: Because a portfolio may invest a significant portion of their assets in health care facility bonds, housing authority bonds, and/or education bonds, a portfolio may be more affected by events influencing these sectors than a fund that is more diversified across numerous sectors.

U.S. Government Securities Risk: U.S. Government agency securities in which a portfolio may invest include securities issued by the Government National Mortgage Association ("Ginnie Mae"), the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac"). Securities issued by Ginnie Mae are backed by the full faith and credit of the U.S. Government. Securities issued by Fannie Mae and Freddie Mac are supported by the right to borrow directly from the U.S. Treasury. Other U.S. Government securities are supported only by the credit of the issuer or instrumentality. There is a risk that the U.S. government will not provide financial support to U.S. government agencies or instrumentalities if it is not obligated to do so by

law. Securities purchased by a portfolio issued by Fannie Mae and Freddie Mac are neither issued nor guaranteed by the U.S. Treasury and, therefore, are not backed by the full faith and credit of the United States. An agency of the U.S. government has placed Fannie Mae and Freddie Mac into conservatorship with the objective of improving the entities' business operations. It is unclear what effect this conservatorship will have on the securities issued or guaranteed by Fannie Mae or Freddie Mac.

Valuation Risk: The portfolio may hold securities for which prices from pricing services may be unavailable or are deemed unreliable. There is a risk that the fair value determined by the custodian or us or the price determined by the pricing service may be different than the actual sale prices of such securities.

Closed-end Fund Risk. In addition to the general risks of investing in fixed income securities discussed above, risk factors associated with closed-end funds include market risk and concentration risk. Closed-end funds are subject to market volatility and the risks of their underlying securities. The market price of a closed-end fund may be significantly different than its NAV (a premium or a discount). Closed-end funds frequently trade at a discount to NAV and there is no assurance a closed-end fund will appreciate to its NAV.

Sit Fixed Income manages private investment funds and client accounts for qualified investors with investment objectives and restrictions which permit investment in options, futures, swaps, repurchase agreements, and reverse repurchase agreements, and may use leverage to invest in additional portfolio securities and may utilize financial instruments to hedge against fluctuations in the relative values of its portfolio positions as a result of certain changes in the fixed-income markets. The following risks are applicable to these investment strategies.

Derivative Risks. The derivatives market is, in general, a relatively new market and there are uncertainties as to how it will perform during periods of unusual price volatility or instability, market illiquidity or credit distress. Investments in derivative instruments may result in losses exceeding the amounts invested. Substantial risks are also involved in borrowing and lending against derivatives. Derivatives prices can be volatile, market movements are difficult to predict and financing sources and related interest rates are subject to rapid change. One or more markets may move against the derivatives positions held by a portfolio, thereby causing substantial losses. Most of these instruments are not traded on exchanges but rather through an informal network of banks and dealers who have no obligation to make markets in them and can apply essentially discretionary margin and credit requirements (and thus in effect force the portfolio to close out positions). In addition, some derivatives carry the additional risk of failure to perform by the counterparty to the transaction. Many unforeseeable events, such as government policies, can have profound effects on interest and exchange rates, which in turn can have large and sudden effects on prices of derivative instruments.

Borrowing and Leverage. The portfolio may borrow money to invest in additional portfolio securities. The portfolio may borrow an amount up to four times a portfolio's total net assets. This practice significantly increases a portfolio's market exposure and its risk. When a portfolio has borrowed money for leverage and its investments increase or decrease in value, a portfolio's net asset value will increase or decrease more (possibly by multiples, depending upon the degree of leverage employed at such time) than if it had not borrowed money. In addition, the interest a portfolio must pay on borrowed money will reduce the amount of any potential gains or increase any losses.

Disciplinary Information *Item 9*

Sit Fixed Income has no information applicable to this Item.

Other Financial Industry Activities and Affiliations *Item 10*

Investment Adviser Affiliates

Sit Fixed Income Advisors II, LLC manages fixed income securities. Its affiliated company, Sit Investment Fixed Income Advisors, Inc. (SEC file number 801-34582), also manages similar fixed income securities for the same type of clients. Sit Investment Fixed Income Advisors, Inc. is also a subsidiary of Sit Investment Associates, Inc.

Sit Fixed Income Advisors II, LLC registered as a commodity trading adviser (“CTA”) and commodity pool operator effective on November 21, 2014. Sit Fixed Income Advisors II, LLC was engaged by ETF Managers Capital LLC to serve as the CTA for Sit Rising Rate Fund a series of the ETF Managers Group Commodity Trust I, an exchange traded fund that issues shares that trade on the NYSE Arca stock exchange.

Sit Investment Associates, Inc. is the parent company of Sit Fixed Income Advisors II, LLC and Sit Investment Fixed Income Advisors, Inc. Sit Investment Associates, Inc. manages domestic and international equity securities. Sit Investment Associates, Inc. and Sit Investment Fixed Income Advisors, Inc. are separately registered investment advisers located in the same Minneapolis office and share all resources. The investment management services offered by our affiliates are discussed in separate brochures.

Investment Company Affiliates

Mutual Funds

Sit Investment Associates, Inc. is the adviser and sponsor of twelve no-load mutual funds. Some of our officers are officers of the funds. Sit Fixed Income Advisors II, LLC assists in the management of the fixed income funds. The Sit Mutual Funds consist of the following funds:

- Sit Mid Cap Growth Fund, Inc.
- Sit Large Cap Growth Fund, Inc.
- Sit U.S. Government Securities Fund, Inc.
- Sit Mutual Funds, Inc.
 - Sit International Growth Fund (series A)
 - Sit Balanced Fund (series B)
 - Sit Developing Markets Growth Fund (series C)
 - Sit Small Cap Growth Fund (series D)
 - Sit Dividend Growth Fund (series G)
 - Sit Global Dividend Growth Fund (series H)
- Sit Mutual Funds II, Inc.
 - Sit Tax-Free Income Fund (series A)
 - Sit Minnesota Tax-Free Income Fund (series B)
 - Sit Quality Income Fund (series E)

Generally, we do not exercise our investment discretion to invest client assets in our affiliated mutual funds. There are a few exceptions where clients have instructed us to include the Sit Mutual Funds as an investment option in their managed accounts and client’s investment objectives and restrictions which are a part of the client’s investment management agreement provide for investments in the Sit Mutual Funds. In these circumstances, the client is notified of any investment in the Sit Mutual Funds. Additionally,

there may be clients that invest in the Sit Mutual Funds and request that we hold shares in their client accounts. We do not charge a management fee in the client account on the assets invested in an affiliated fund, however, the client will pay the fees as an investor in the affiliated fund according to the fund's prospectus. Such fees include management fees paid to us by the fund.

Private Investment Funds

Sit Fixed Income and its parent serve as advisers, general partner, or manager to private investment companies organized as limited partnerships or limited liability companies. The private investment funds are listed below.

Funds Managed by Sit Fixed Income Advisors II, LLC:

- Sit Opportunity Bond Fund, LLC
- Sit Minnesota Municipal Bond Fund
- Sit Municipal Opportunity Bond Fund, LLC
- Sit Short Duration Government Fund, LLC
- Sit Bond Portfolio, LP
- Sit Custom Alpha Fund, LP (a series fund)
- Sit Alpha II Bond Fund, Ltd.
- Sit Alpha III Bond Fund, Ltd.
- Sit Offshore Custom Alpha Fund SPC
- Sit Targeted Opportunity Fund, LLC

Funds Managed by Sit Investment Associates, Inc.:

- Sit Large Cap Fund, LLC
- Sit Small Cap Fund, LLC
- Sit Small Cap Fund II, LLC
- Sit Global Fund, LLC
- Sit Pac Basin Fund, LLC
- Sit Capital Fund LP
- Sit Dividend Growth Fund, LLC
- Sit Dividend Growth Fund II, LLC
- Sit Global Dividend Growth Fund, LLC
- Sit/Kim International Investment Limited Partnership

We do not exercise our investment discretion to invest client assets in our affiliated private investment funds. However, the funds are available to our clients. If requested by a client, we may hold shares and interests of our affiliated funds in client accounts. We do not charge a management fee in the client account on the assets invested in an affiliated fund, however, the client will pay the fees as an investor in the affiliated fund according to the fund's offering documents. Such fees include management fees paid to us by the fund.

Broker Dealer Subsidiary

SIA Securities Corp. is a registered broker-dealer (Firm CRD# 35403, SEC File Number 8-46668) formed exclusively for and limited to the distribution of investment company shares of the Sit Mutual Funds to certain shareholders. SIA Securities Corp. does not perform any other brokerage activities, and has no employees of its own. SIA Securities Corp. is a subsidiary of Sit Investment Associates, Inc.

Code of Ethics, Interest in Client Transactions and Personal Trading *Item 11*

Sit Fixed Income adopted a code of ethics applicable to all employees designed to promote, among other things, honest and ethical conduct, compliance with applicable laws, avoidance of conflicts of interest, and to prevent the misuse of material nonpublic information. The code of ethics establishes rules of conduct for all employees and is based upon the principle that we owe a fiduciary duty to our clients to conduct our affairs, including our personal securities transactions, in such a manner as to avoid (i) serving our own personal interests ahead of clients, (ii) taking inappropriate advantage of our position with the company and (iii) any actual or potential conflicts of interest or any abuse of our position of trust and responsibility. The code of ethics is designed to ensure that our high ethical standards are continually applied. Employees are required to annually certify their compliance with the code of ethics.

Sit Fixed Income, its affiliates and employees may buy or sell for themselves securities that we also buy or sell on behalf of our clients consistent with the clients' investment objectives and restrictions. Restrictions on the personal trading activities of Sit Fixed Income's employees include, among other things: pre-clearance of all transactions; a 10 day black-out period; a restricted security list; prohibitions on short-term trading and initial public offerings; and limits on the number of transactions over certain periods of time. The code of ethics contains various exemptions for trades we believe do not involve potential conflicts, such as government securities and open-end mutual funds. The code of ethics also contains reporting requirements so that the personal trading may be monitored. The code of ethics is designed to assure that the personal securities transactions not interfere with our making decisions in the best interest of our clients. Nonetheless, because the code of ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee.

Other prohibitions applicable to our employees include accepting gifts of more than nominal value, and borrowing money from clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Sit Fixed Income's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price.

Sit Fixed Income's clients or prospective clients may request a copy of the firm's code of ethics by contacting Paul Rasmussen at 612-332-3223.

Brokerage Practices *Item 12*

Trading of Bonds

Fixed income securities are generally purchased from or sold to brokers or dealers. Broker-dealers maintain inventories of bonds that they own as principals and hold for resale to their customers. In purchasing and selling bonds for client accounts, we attempt to contact multiple brokers before executing a trade in order to seek best execution. When we purchase bonds we seek specific bond issues or we seek bonds with certain characteristics including type, sector, maturity, duration, coupon and yield objectives. When acting as principal the broker will typically add a markup to any purchase, and subtract a markdown from every sale. The markup or markdown will be included in the price and yield of the security. Closed-end registered investment companies (closed-end funds) trade as equity securities on a national exchange and the broker charges a commission based on the number of shares.

Research and Soft Dollar Benefits

In effecting purchases and sales of portfolio securities for client accounts (including investment companies) we will seek best execution of the orders. Consistent with this policy, orders for portfolio transactions are placed with broker-dealer firms giving consideration to the quality, quantity and nature of the firm's professional services which include execution, clearance procedures and market, statistical and other research information provided to Sit Fixed Income and its clients. All these factors are taken into account in the allocation of brokerage and thus lowest price is not necessarily the determining factor. Sit Fixed Income feels that it is to the overall benefit of its clients and clients of its subsidiary to receive these benefits from broker-dealers and not to have to duplicate these services by expensive additions to Sit Fixed Income's staff. Nothing in this policy relieves Sit Fixed Income of its responsibility of reviewing the research and making the ultimate determination on transactions based on its own expertise. It is quite possible that the research benefits received from any one order will not inure to the direct benefit of the client including a mutual fund placing the order but we feel that the aggregate benefits of information received from all orders will benefit all our clients, including the clients of our subsidiaries. While Sit Fixed Income will be primarily responsible for the allocation of the client's brokerage business, the policies and practices for Sit Fixed Income in this regard must be consistent with the foregoing and will at all times be subject to review by the client.

During 2014, Sit Fixed Income and its parent company Sit Investment Associates, Inc. received approximately 16 different services and products from 6 different broker-dealers from soft-dollar arrangements. We receive both proprietary research which is created or developed by the broker-dealer, and research created or developed by a third party. Among the services and products received were: financial, economic, and political information services and research reports; periodic specialized financial market research; financial market statistical information; industry and sector analysis; economic, political and market commentary; issuer credit research; on-line bond trading services; quantitative research and analysis; and market prices and quotation services. A complete list of the services and products received is available to clients upon request.

Although we seek best execution of transactions, obtaining research and services by means of soft dollar arrangements represents a conflict of interest since it enables us to receive research that we might otherwise have to purchase with our own money. Therefore, we may have an incentive to select a broker-dealer based on our interest in receiving the research or other products or services, rather than our clients'

interest in receiving most favorable execution. We may cause clients to pay commissions higher than those charged by other broker-dealers in return for soft dollar benefits.

Order Aggregation

The aggregation or blocking of client transactions allows Sit Fixed Income to execute transactions in a more timely, equitable, and efficient manner and seeks to reduce overall commission charges to clients. Our policy is to aggregate client transactions where possible and when advantageous to clients. In these instances clients participating in any aggregated transactions will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. Our policy prohibits any allocation of trades in a manner that our proprietary accounts, affiliated accounts, or any particular client(s) or group of clients receive more favorable treatment than other client accounts. Sit Fixed Income has adopted a policy for the fair and equitable allocation of transactions using a pro-rata allocation method. Equity security transactions are processed using an electronic order management system. Transactions are allocated to all applicable client accounts based on portfolio characteristics such as account size, cash levels, the model portfolio target weightings, and investment restrictions. Fixed income security transactions are allocated by the trader to all applicable client accounts based on portfolio characteristics such as cash and liquidity requirements, portfolio duration, quality requirements, and investment restrictions.

Certain clients have directed us to use a particular broker in effecting purchases and sales of its portfolio securities, and therefore, our services would not include selection of brokerage firms or negotiation of commission rates. Generally, under such circumstances, the client may receive products or services from the broker directly. If a client chooses to direct its brokerage to a broker other than the one through which Sit Fixed Income will execute orders for its other clients, the client will forgo any benefit from savings on execution costs that the adviser could obtain for its other clients through, for example, discounts on batched orders.

In some situations we may execute a transaction with one broker and settle the transaction with another broker. This use of “step-outs” allows us to split the execution services and the research services from the brokers, that is by executing a transaction with an execution broker and step-out the transaction and related commissions to a broker who provides research services to book and settle the transaction.

Cross Trades

Sit Fixed Income may under certain circumstances effect cross-trades which means the purchase and sale of a security between two or more accounts (including pooled investment funds) managed by us or our affiliates. In certain situations it is advantageous to clients to engage in a cross-trade. These situations can arise for many reasons. Often an account will have incoming cash that needs to be invested and at the same time another account is withdrawing funds and needs to sell portfolio securities to raise cash. Another situation in which a cross-trade may be desirable is when the characteristics of a particular security change.

Since Sit Fixed Income serves as the investment adviser for both the buyer and the seller of the security, there may be an inherent conflict of interest. All cross-trades are executed at a fair price and no client is disfavored by the transaction. Sit Fixed Income receives no compensation from effecting a cross-trade. Sit Fixed Income has policies and procedures to ensure the transactions are done on a fair and equitable basis and in the best interests of the clients. Where a registered investment company is involved in the transaction, the requirements of Rule 17a-7 under the Investment Company Act of 1940 are complied

with. Commissions are not paid on purchases and sales between registered investment companies subject to Rule 17a-7 of the Investment Company Act of 1940, but such transactions may be charged transfer fees. If in the event an account subject to the requirements of the Employee Retirement Income Security Act of 1974 (ERISA) was involved in the transaction, the requirements of section 408(b)(19) of ERISA would be complied with.

Generally, Sit Fixed Income effects a cross-trade by placing simultaneous buy and sell orders for a security through an independent broker-dealer, who then effects both transactions at a determined commission. Sit Fixed does not intend to execute a cross-trade by instructing the custodians to transfer the security from one client's account to the other. Notwithstanding the above, Sit Fixed Income may initiate the purchase and sale of a security in the market on behalf of two or more clients on the same day but through different independent broker-dealers and/or at different times of the day.. Generally, such a transaction is not considered a cross-trade for purposes of the cross-trade procedures.

Review of Accounts *Item 13*

Client accounts receive almost constant review from the professional staff, including the members of the Investment Committee and the research and investment management professionals. At least one investment professional is assigned prime responsibility for a client's account, and the investment committee structure facilitates frequent account review through weekly meetings of the Investment Committee and the other investment professionals, as well as numerous informal meetings among the investment professionals. All transactions are reviewed daily by the Chief Investment Officer.

Sit Fixed Income furnishes each client (except clients participating in a wrap program) with written reports regarding the client's portfolio which includes holdings, transactions, investment performance, the investment strategy, and other pertinent information tailored to the needs of the particular client. Portfolio reports are provided monthly, or as requested by the client. The written reports are often supplemented by frequent oral reports to the client from an investment professional and also by regular review meetings with the client as requested by the client.

Client Referrals and Other Compensation *Item 14*

Sit Fixed Income does not compensate anyone for referring clients to us, nor do we receive compensation from other professionals for referring clients to them.

Custody *Item 15*

Sit Fixed Income does not maintain physical custody of client assets. Clients are responsible for selecting and engaging a custodian. Clients should receive statements from the qualified custodian that holds and maintains the client's assets at least quarterly. Clients should carefully review such statements and compare such official custodial records to the account statements that we provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Sit Fixed Income and its affiliates provide investment advisory services and serve as general partner or manager to private investment companies organized as limited partnerships or limited liability companies, and therefore may be deemed to have custody or possession of client assets for purposes of Rule 206(4)-2 of the Investment Advisers Act of 1940.

Investment Discretion *Item 16*

Sit Fixed Income manages client assets on a discretionary basis pursuant to the investment management agreement with each client. Investment discretion is exercised in a manner consistent with the investment objectives and restrictions for the particular client account as set forth in the investment management agreement. Clients may impose restrictions including, for example, on investing in certain companies or types of securities.

We also manage a few client accounts on a non-discretionary basis as an accommodation to clients. The non-discretionary accounts as of December 31, 2014 totaled \$170 million.

For the affiliated investment companies managed by Sit Fixed Income, our authority to trade securities is also limited by the investment restrictions set forth in the funds' prospectus or other offering documents, and with respect to mutual funds, by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Voting Client Securities *Item 17*

Sit Fixed Income exercises voting authority with respect to client securities unless instructed otherwise. Sit Fixed Income maintains written policies and procedures as to the handling, research, voting and reporting of proxy voting. Generally, our policy and practice includes the responsibility to monitor corporate actions, receive and vote client proxies and disclose potential conflicts of interest as well as making information available to clients about the voting of proxies for their portfolio securities and maintaining relevant and required records.

Clients may at any time request a copy of the proxy voting policies and procedures, and information regarding how Sit Fixed Income voted a client's proxies.

In the absence of specific voting guidelines from the client, Sit Fixed Income will vote proxies in the best interests of each particular client. Our policy is to vote all proxies from a specific issuer the same way for each client absent qualifying restrictions from a client.

Sit Fixed Income will make reasonable attempts to identify any conflicts that exist between the interests of Sit Fixed Income and the client by reviewing the relationship of Sit Fixed Income with the issuer of

each security to determine if Sit Fixed Income or any of its employees has any financial, business or personal relationship with the issuer. If a material conflict of interest exists, the Proxy Committee will determine whether it is appropriate to disclose the conflict to the affected clients, to give the clients an opportunity to vote the proxies themselves, or to address the voting issue through other objective means such as voting in a manner consistent with a predetermined voting policy or receiving an independent third party voting recommendation. Sit Fixed Income will maintain a record of the voting resolution of any conflict of interest.

Financial Information *Item 18*

Sit Fixed Income has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

Sit Fixed Income does not meet the conditions which would require us to provide a balance sheet financial statement.

Requirements for State-Registered Advisers

Not applicable.

Privacy Policy

Sit Fixed Income takes our clients' personal privacy seriously. In order to provide financial products and services, we may collect nonpublic personal information about our clients from the following sources:

- information we receive from account documentation, including applications, contracts, and other forms which may include (but is not limited to) information such as a client's name, address, tax identification number or social security number, assets and income;
- information about client transactions and communications with Sit, its affiliates, agents or others which may include (but is not limited to) account numbers, balances, and transaction requests made through transfer agents, custodians or third party intermediaries.

We do not disclose any nonpublic personal information about our clients or former clients to anyone outside our organization except as necessary in order to provide services to our clients as permitted by law. For example, we may disclose nonpublic personal information about a client to a non-affiliated company assisting us in servicing client accounts such as providing a portfolio management system and transfer agent services. To safeguard our client's personal information, we insist that our service providers limit access to personal information to authorized employees and agents and maintain appropriate safeguards.

We restrict access to our clients' nonpublic personal information to those employees who need to know that information to provide products or services to our clients. We maintain physical, electronic and procedural safeguards that comply with federal standards to guard our clients' nonpublic personal information.

This privacy policy does not apply to a client's relationship with other financial service providers, such as broker dealers, custodians or other third party intermediaries.

Business Continuation Policy

Sit Fixed Income has adopted a Business Continuation Plan which includes various procedures to enable us to resume providing our most critical services to clients in the event our services are interrupted.

Sit Fixed Income and its affiliated companies have secured a resumption site from an independent telecommunications and computer networking service provider at facilities located west of Sit Fixed Income's downtown location. Pursuant to the Plan, the business resumption site will be used in the event that Sit Fixed Income is unable to use its computer systems or occupy its Minneapolis office. Sit Fixed Income stores computer servers and equipment at the resumption site. Telecommunication equipment and Internet access is available at the resumption site. Upon utilization, Sit Fixed Income's system backup tapes for the most recent business day will be delivered to the resumption site and installed on the servers. The resumption site will immediately accommodate at least 10 people.

Sit Fixed Income's critical portfolio management systems are provided by SunGuard in a service bureau environment, and can be accessed by Sit Fixed Income remotely from the resumption site via an Internet connection or a direct high speed phone connection.

Sit Fixed Income's Business Continuation Plan is reviewed at least annually by the Business Continuation Team.

Class Action Settlements

We do not handle or otherwise process any "class action" claims or similar settlements that clients may be entitled to for securities held in client accounts. Clients should receive the paperwork for such claims directly from their custodians. Clients should verify with their custodians whether such claims are being made on the client's behalf by the custodian or if the client is expected to file such claims directly.

Brochure Supplement

Form ADV Part 2B

SIT FIXED INCOME ADVISORS II, LLC

3300 IDS Center
80 South Eighth Street
Minneapolis, MN 55402-2211

612-332-3223

March 30, 2015

This Brochure Supplement provides information about the following persons and supplements Sit Fixed Income's brochure. You should have received a copy of that brochure. Please contact Paul Rasmussen or Kelly Boston at 612-332-3223 if you did not receive Sit Fixed Income's brochure or if you have any questions about the contents of this supplement.

Roger Jerome Sit – Born 1962

Educational Background:

BS U.S. Air Force Academy, Colorado
MS University of Southern California
MBA Harvard Business School

Business background:

Chairman and CEO of Sit FIA since 7/08
Chairman, President, CEO and Global CIO of Sit Investment Associates, Inc. since 4/08
President, Co-CEO and Co-Global CIO of Sit Investment Associates, Inc. (2/08-4/08)
President of Sit Investment Associates, Inc. (3/06-2/08)
Executive Vice President – Research & Investment Management of Sit Investment Associates, Inc. (12/98-3/06).
Sr. Vice President, Director of Research of Sit Investment Associates, Inc. (1/98-12/98)
Vice President, Equity Analyst of Goldman Sachs & Co. (1991-1998)
Captain (Officer) of the U.S. Air Force (1984-1989)

Disciplinary Information. Not applicable.

Other Business Activities. Not applicable.

Additional Compensation. Not applicable.

Supervision. Sit FIA's account review procedures and its adherence to its compliance policies provides continuing review and supervision of all investment professionals. Roger Sit reports to the Board of Directors, phone number 612-332-3223.

Michael Clinton Brilley – Born 1945

Educational Background:

BS Milliken University

Business background:

President and Chief Fixed Income Officer of Sit Fixed Income since 1993

Sr. Vice President of Sit Investment Associates, Inc. since 1993

Vice President and Portfolio Manager of Sit Investment Associates, Inc. (1984-1993)

First Bank System, Inc. Vice President and Senior Fixed Income Officer (1974-1984)

Merchants National Bank of Indianapolis, Investment Officer (1970-1974)

Continental Illinois National Bank of Chicago, Investment Advisor (1968-1970)

Disciplinary Information. Not applicable.

Other Business Activities. Not applicable.

Additional Compensation. Not applicable.

Supervision. Sit Fixed Income's account review procedures and its adherence to its compliance policies provides continuing review and supervision of all investment professionals. Roger J. Sit (phone number 612-332-3223) is responsible for supervising Michael Brilley.

Debra Ann Sit - CFA – Born 1960

Educational Background:

BA University of Minnesota

MBA University of Chicago Graduate School of Business

Business background:

Senior Vice President, Senior Portfolio Manager of Sit Fixed Income since 1993

Director of Sit Investment Associates, Inc. since 2009

Vice President - Bond Investments of Sit Investment Associates, Inc. since 1993

Bond Specialist - Assistant Portfolio Manager & Fixed Income Analyst, Sit Investment Associates, Inc. (1987-1993)

Computer Application Specialist, Sit Investment Associates, Inc. (1981-1985)

Disciplinary Information. Not applicable.

Other Business Activities. Not applicable.

Additional Compensation. Not applicable.

Supervision. Sit Fixed Income's account review procedures and its adherence to its compliance policies provides continuing review and supervision of all investment professionals. Roger J. Sit and Michael Brilley (phone number 612-332-3223) are responsible for supervising Debra Sit.

Bryce A. Doty - CFA – Born 1966

Educational Background:

BA Hamline University

MBA University of Minnesota

Business background:

Senior Vice President, Senior Portfolio Manager Sit Fixed Income since 2003

Vice President, Portfolio Manager Sit Fixed Income (1997-2003)

Portfolio Manger Sit Fixed Income (1995-1997)

Minnesota Mutual Life Insurance Company, Investment Analyst (1988-1995)

Disciplinary Information. Not applicable.

Other Business Activities. Not applicable.

Additional Compensation. Not applicable.

Supervision. Sit Fixed Income's account review procedures and its adherence to its compliance policies provides continuing review and supervision of all investment professionals. Roger J. Sit and Michael Brilley (phone number 612-332-3223) are responsible for supervising Bryce Doty.

Mark H. Book, CFA, CMA – Born 1963

Educational Background:

BA University of Minnesota
MBA University of Minnesota

Business background:

Vice President, Portfolio Manager Sit Fixed Income since 2000
US Bancorps Piper Jaffray, Corporate Strategist (1998-2000)
Norwest Investment Management, Portfolio Manager (1997)
Insight Investment Management, Portfolio Manager (1991-1996)
Reliastar Financial, Security Trader (1986-1991)

Disciplinary Information. Not applicable.

Other Business Activities. Not applicable.

Additional Compensation. Not applicable.

Supervision. Sit Fixed Income's account review procedures and its adherence to its compliance policies provides continuing review and supervision of all investment professionals. Roger J. Sit and Michael Brillely (phone number 612-332-3223) are responsible for supervising Mark Book.

Paul J. Jungquist, CFA, CPA – Born 1961

Educational Background:

University of Notre Dame, BBA
University of Minnesota, MBA

Business background:

Vice President, Portfolio Manager Sit Fixed Income since 1997
Fixed Income Portfolio Manager (1995-1997)
Fixed Income Credit Analyst Sit Fixed Income (1994 - 1995)
Twin City Testing, Assistant Controller (1990-1994)
Grant Thornton, Auditor (1984-1990)

Disciplinary Information. Not applicable.

Other Business Activities. Not applicable.

Additional Compensation. Not applicable.

Supervision. Sit Fixed Income's account review procedures and its adherence to its compliance policies provides continuing review and supervision of all investment professionals. Roger J. Sit and Michael Brillely (phone number 612-332-3223) are responsible for supervising Paul Jungquist.

Christopher M. Rasmussen, CFA – Born 1979

Educational Background:

University of Minnesota, BSB
University of Minnesota, MBA

Business background:

Vice President, Portfolio Manager Sit Fixed Income since 2012
Research Analyst of Sit Fixed Income (2008-2012)
Research Associate Sit Fixed Income (2005-2008)
Research Assistant of Sit Fixed Income (2002-2005)
Portfolio Accountant Sit Investment Associates, Inc. (2000-2002)

Disciplinary Information. Not applicable.

Other Business Activities. Not applicable.

Additional Compensation. Not applicable.

Supervision. Sit Fixed Income's account review procedures and its adherence to its compliance policies provides continuing review and supervision of all investment professionals. Roger J. Sit and Michael Brillely (phone number 612-332-3223) are responsible for supervising Christopher Rasmussen.

Professional Designations – Minimum Qualifications

CFA - Chartered Financial Analyst

Issued by: CFA Institute

Prerequisites/Experience Required: Candidate must meet one of the following requirements: 1.) Undergraduate degree and 4 years of professional experience involving investment decision-making, or 2.) 4 years qualified work experience (full time, but not necessarily investment related).

Educational Requirements: Self-study program (250 hours of study for each of the 3 levels)

CMA - Certified Management Accountant

Issued by: Institute of Management Accountants, Inc. ("IMA")

Prerequisites/Experience Required: Bachelor's degree from an accredited college or university, and two continuous years of professional experience in management accounting or financial management.

Educational Requirements: To earn the CMA designation, candidates must be members of the IMA, pass the CMA exam, and fulfill the education and experience requirements noted above.

CPA – Certified Public Accountant

Licensed by: A Board of Public Accountancy in the individual's state to practice public accounting.

Prerequisites/Experience Required: The state Boards of Accountancy determines the laws and rules for each state/jurisdiction.

Educational Requirements: Varies by state. Minnesota requires a degree or equivalent in accounting from an accredited institution, passage of the uniform CPA examination and ethics exam, and qualified experience or its equivalent.