

Foreign Tax Credits

The International Growth Fund, Developing Markets Growth Fund, and the Global Dividend Growth Fund have paid taxes imposed by foreign countries and deducted such amounts in computing their incomes. The Funds will elect not to “pass-through” foreign tax credits to the shareholders.

Sit Municipal Bond Fund Dividend Distributions for 2015 Tax Year

	Sit Minnesota Tax-Free Income Fund	Sit Tax-Free Income Fund
% Tax-Free*	99.78%	99.31%
% Taxable*	0.22%	0.69%
% Subject to AMT**	7.33%	None

*The Sit Municipal Bond Funds pay dividends that are generally exempt from regular federal income tax (Sit Minnesota Tax-Free Income Fund’s dividends are also generally free from regular Minnesota state income tax). However, a portion of the dividends related to other types of income earned by the Fund are taxable.

**For shareholders who are subject to the Alternative Minimum Tax (AMT), the above percentages noted represent the portion of the Fund’s income that should be treated as a tax-preference item and included in the shareholder’s alternative minimum taxable income.

Sit Tax-Free Income Fund

The majority of income dividends paid by the Fund are **exempt** from regular federal income tax, however, income dividends may be subject to state and local taxation.

SOURCE OF TAX-EXEMPT INCOME DIVIDENDS

The percentages of tax-exempt income dividends from various states paid during 2015 are:

Alabama	0.23%	Montana	0.77%
Alaska	2.41	Nebraska	0
Arizona	2.93	Nevada	1.55
Arkansas	0.58	New Hampshire	0.13
California	6.16	New Jersey	0.37
Colorado	2.07	New Mexico	1.31
Connecticut	1.70	New York	1.41
Delaware	0	North Carolina	0.17
D.C.	0	North Dakota	0.27
Florida	15.68	Ohio	4.46
Georgia	3.77	Oklahoma	1.22
Hawaii	0	Oregon	0.88
Idaho	1.43	Pennsylvania	2.03
Illinois	8.48	Rhode Island	0.41
Indiana	3.30	South Carolina	0.46
Iowa	0.27	South Dakota	0.83
Kansas	1.33	Tennessee	0.64
Kentucky	0.33	Texas	7.55
Louisiana	2.54	Utah	0.84
Maine	0.77	Vermont	0
Maryland	1.03	Virginia	2.64
Massachusetts	1.57	Washington	2.87
Michigan	2.42	West Virginia	0.47
Minnesota	1.90	Wisconsin	3.19
Mississippi	0.10	Wyoming	1.57
Missouri	0.78	Puerto Rico	2.16
		Guam	0

Minnesota Residents: Your federal tax-exempt interest dividends paid by the Fund are not exempt from Minnesota tax and must be added to federal taxable income when calculating your Minnesota taxable income.

None of the Tax-Free Income Fund’s income distributed during 2015 is subject to the alternative minimum tax (AMT).

Sit Mutual Funds

2015 Tax Information

Consult your tax advisor about how to report this information on your federal and state tax returns.

Your tax advisor will need this pamphlet to prepare your taxes.

 **Sit Investment Associates**
Sit Mutual Funds

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

800-332-5580

www.sitfunds.com

U.S. Government Obligations

Income earned from U.S. government securities is sometimes exempt from state income tax. Many states provide for this tax-exemption to be “passed-through” to shareholders of mutual funds that hold these securities. **Please consult your tax advisor if you have questions regarding your state’s tax regulations.**

The tables below show income earned by the Funds from U.S. government securities (excluding long-term capital gains, if any) as a percentage of the total income earned by each Fund during 2015. Income earned by other Sit Funds was either not derived from U.S. obligations or less than 0.01% and therefore not listed below.

	Federal Home Loan Bank	Federal Home Loan Mtg Corp	Federal Natl Mtg Association	Govt Natl Mtg Association	VA Vendee Mtg Trust	U.S. Treasury	Other
U.S. Government Securities Fund	0%	27.66%	50.69%	14.63%	3.61%	2.48%	0.93%

	U.S. Government Obligations						Other Income			
	Federal Natl Mtg Association	Federal Home Loan Mtg Corporation	Govt Natl Mtg Association	VA Vendee Mtg Trust	U.S. Treasury	Total U.S. Govt	Corp Issuers	Equity Income	Other	Total Other Income
Balanced Fund	17.82%	12.32%	12.45%	0%	0.53%	43.12%	0%	0%	56.88%	56.88%
Quality Income Fund	21.06%	7.66%	3.29%	0.43%	5.05%	37.48%	27.67%	0%	34.84%	62.52%

IRAs

Form 1099-R for Distributions

If you made a withdrawal from your IRA or converted a Traditional IRA to a Roth IRA in 2015, your Form 1099-R will be mailed separately by February 1, 2016.

If you have questions on how to report your distribution, please see a tax advisor or obtain IRS publication 590-B at <http://www.irs.gov> or by calling 1-800-TAX-FORM (1-800-829-3676).

Form 5498 for Contributions

In May 2016, we will send a Form 5498 to you showing your IRA contributions for the 2015 tax year.

Traditional IRA - Contributions may be tax-deductible depending upon your circumstances. There is a limit of \$5,500 per person per tax year (\$6,500 if you were 50 by December 31, 2015). Contributions for the 2015 tax year must be made no later than April 15, 2016.

Roth IRA - Contributions are not tax-deductible and are limited to \$5,500 per person per tax year (\$6,500 if you were 50 by December 31, 2015). Contributions for the 2015 tax year must be made no later than April 15, 2016.

Coverdell Education Savings Account (former known as an Education IRA) - Contributions are not tax-deductible and are limited to \$2,000 per minor per tax year. Contributions for the 2015 tax year must be made no later than April 15, 2016.

Qualified Dividend %

The following chart shows the percentage of dividends which are considered qualified and are taxed at a maximum of 15% for most tax filers and 20% for filers in the highest income tax bracket.

Balanced Fund	100%
Large Cap Growth Fund	100%
Dividend Growth Fund	100%
International Growth Fund	100%
Global Dividend Growth Fund	100%
Developing Markets Growth Fund	100%
Small Cap Dividend Growth Fund	100%

Non-qualified dividends are taxed at ordinary income tax rates.

Corporate Dividends Received Deduction

The following percentages of the dividends paid by these Sit Mutual Funds qualify for the corporate dividends received deduction. This information applies to corporate accounts only.

Balanced Fund	50.90%
Dividend Growth Fund	90.12%
Large Cap Growth Fund	41.65%
International Growth Fund	5.33%
Global Dividend Growth Fund	83.60%
Developing Markets Growth Fund	9.43%
Mid Cap Growth Fund	100%
Small Cap Dividend Growth Fund	100%