

# PROSPECTUS

AUGUST 1, 2010

## Sit High Income Municipal Bond Fund — SHMIX

This Prospectus describes the Sit High Income Municipal Bond Fund that is part of the Sit Mutual Fund family of no-load mutual funds offering a selection of Funds, each with a distinctive investment objective and risk/reward profile.



The Securities and Exchange Commission has not approved or disapproved these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

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# FUND SUMMARY

## SIT HIGH INCOME MUNICIPAL BOND FUND

### INVESTMENT OBJECTIVE

The Fund seeks high current income that is exempt from regular federal income tax.

### FEES AND EXPENSES OF THE FUND

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund.

<b>Shareholder Fees</b> <i>(fees paid directly from your investment)</i>	
Redemption Fee (as a percentage of amount redeemed only on shares held for less than 30 days)	2.00%
<b>Annual Fund Operating Expenses</b> <i>(expenses that you pay each year as a percentage of the value of your investment)</i>	
Management Fees	0.60%
Distribution (12b-1) Fees	None
Other Expenses	0.31%
Acquired Fund Fees and Expenses <sup>(1)</sup>	0.04%
<b>Total Annual Fund Operating Expenses</b>	<b>0.95%<sup>(1)</sup></b>

<sup>(1)</sup> The total annual fund operating expenses do not correlate to the ratio of expenses to average net assets shown in the Fund's Financial Highlights, which does not include Acquired Fund Fees and Expenses.

### Example

This Example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds. It assumes that you invest \$10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year and that the Fund's operating expenses remain the same. Although your actual costs and returns may be higher or lower, based on these assumptions your costs would be:

<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
\$97	\$304	\$528	\$1,171

### PORTFOLIO TURNOVER

The Fund pays transactions costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses in the example, affect the Fund's performance. During the most recent fiscal year, the Fund's portfolio turnover rate was 24.20% of the average value of the portfolio.

## PRINCIPAL INVESTMENT STRATEGIES

The Fund seeks to achieve its objective by investing primarily in municipal securities that generate interest income that is exempt from regular federal income tax. During normal market conditions, the Fund invests 100% (and, as a fundamental policy, no less than 80%) of its net assets in such tax-exempt municipal securities.

The Fund invests in municipal securities that are rated by a nationally recognized statistical rating organization (NRSRO), or if not rated by a NRSRO, the Fund's Adviser determines a comparable quality rating of the non-rated securities. The Fund seeks to maintain a minimum average credit quality rating of triple-B, including the comparable ratings of the non-rated securities as determined by the Fund's Adviser. The Fund may invest up to 60% of its assets in municipal securities rated below investment-grade, or if non-rated, determined to be of comparable quality by the Fund's Adviser. Debt securities rated below investment-grade are commonly known as "junk bonds" and are considered predominately speculative and involve greater risk of default or price changes. The Fund may not invest in securities rated lower than B3 or B-, but may invest up to 10% of its assets in non-rated securities determined by the Adviser to have comparable ratings below B3 or B-.

Municipal securities are debt obligations issued by or for U.S. states, territories, and possessions and the District of Columbia, and their political subdivisions, agencies, and instrumentalities. The Fund invests in both general obligation bonds, which are secured by the full faith, credit and taxation power of the issuing municipality, and in revenue bonds, which are backed by and payable only from the revenues derived from a specific facility or specific revenue source. The Fund generally invests a significant portion of its assets in obligations of municipal housing authorities which include single family and multi-family mortgage revenue bonds, revenue bonds of health care-related facilities, and revenue bonds of educational institutions, which include higher education institutions, public, private and charter schools, and student loan-backed bonds.

In selecting securities for the Fund, Fund managers seek securities providing high current tax-exempt income. In making purchase and sales decisions for the Fund, the Fund managers consider their economic outlook and interest rate forecast, as well as their evaluation of a security's structure, credit quality, yield, maturity, liquidity and portfolio diversification. Fund managers attempt to maintain an average effective duration for the portfolio of approximately 3 to 10 years based on the managers' economic outlook and the direction in which inflation and interest rates are expected to move. Duration is a measure of total price sensitivity relative to changes in interest rates. Portfolios with longer durations are typically more sensitive to changes in interest rates. The correlation between duration and price sensitivity is greater for securities rated investment-grade than it is for securities rated below investment-grade. The Fund's dollar-weighted average maturity will, under normal market conditions, range between 12 and 25 years. However, since the Fund's securities are subject to various types of call provisions which make their expected average lives shorter than their stated maturity dates, the Fund managers believe that the Fund's average effective duration is a more accurate measure of the Fund's price sensitivity to changes in interest rates than the Fund's dollar-weighted average maturity.

## PRINCIPAL INVESTMENT RISKS

As with all mutual funds investing in bonds, the price and yield of the Fund may change daily due to interest rate changes and other factors. You could lose money by investing in the Fund.

The principal risks of investing in the Fund are as follows:

- > **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. The Fund may then be forced to invest the unanticipated proceeds at lower interest rates, resulting in a decline in the Fund's income.
- > **Credit Risk:** The issuers or guarantors of securities owned by the Fund may default on the payment of principal or interest, or experience a decline in credit quality, causing the value of the Fund to decrease. Bonds rated below investment-grade are also subject to a higher degree of credit risk than bonds rated investment-grade.
- > **High-Yield Risk:** The Fund may invest up to 60% of its assets in municipal securities rated below investment-grade, or if non-rated, determined to be of comparable quality by the Fund's Adviser. Debt securities rated below investment-grade 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.

- > **Income Risk:** The income you earn from the Fund may decline due to declining interest rates.
- > **Interest Rate Risk:** An increase in interest rates may lower the Fund's value and the overall return on your investment. The magnitude of this decrease is often greater for longer-term fixed income securities than shorter-term securities.
- > **Liquidity Risk:** The Fund may not be able to pay redemption proceeds within the time periods described in this Prospectus because of an inability 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, the Fund 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 the Fund's performance. Infrequent trading may also lead to greater price volatility.
- > **Management Risk:** A strategy used by the investment management team may not produce the intended results.
- > **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.
- > **Political, Economic and Tax Risk:** Because the Fund invests primarily in municipal securities issued by states and their political subdivisions, the Fund may be particularly affected by the political and economic conditions and developments in those states. Since the Fund primarily invests municipal securities, the value of the Fund may be more adversely affected than other funds by future changes in federal or state income tax laws.
- > **Revenue Bond Risk:** The revenue bonds in which the Fund invests may entail greater credit risk than the Fund's investments in general obligation bonds. In particular, weaknesses in federal housing subsidy programs and their administration may result in a decrease of subsidies available for the payment of principal and interest on certain multi-family housing authority bonds.
- > **Sector Concentration Risk:** Because the Fund may invest a significant portion of their assets in health care facility bonds, housing authority bonds, and education bonds, the Fund may be more affected by events influencing these sectors than a fund that is more diversified across numerous sectors.
- > **Valuation Risk:** The Fund may hold securities for which prices from pricing services may be unavailable or are deemed unreliable, in which case the Fund's procedures for valuing investments provide that the Adviser shall use the fair value of such securities for valuing investments. There is a risk that the fair value determined by the Adviser or the price determined by the pricing service may be different than the actual sale prices of such securities.

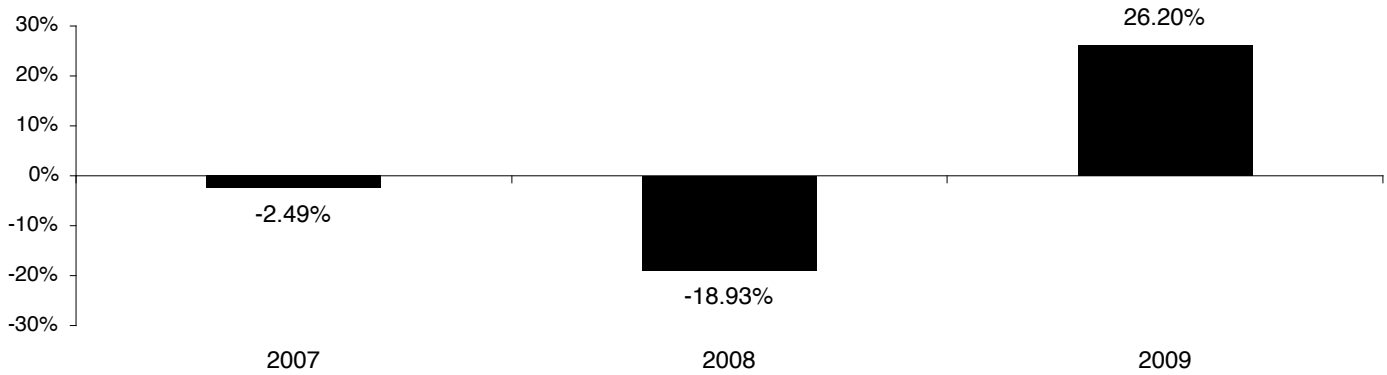
## **HISTORICAL PERFORMANCE**

The following tables provide information on the Fund's volatility and performance. The Fund's past performance before and after taxes is not necessarily an indication of how the Fund will perform in the future. The bar chart below is intended to provide you with an indication of the risks of investing in the Fund by showing changes in the Fund's performance from year to year. The table below compares the Fund's performance over different time periods to that of the Fund's benchmark index, which is a broad measure of market performance.

The table includes returns both before and after taxes. After-tax returns are calculated using historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

The performance information reflects Fund expenses, and assumes that all distributions have been reinvested. The benchmark is an unmanaged index, has no expenses, and it is not possible to invest directly in an index.

**Annual Total Returns for calendar years ended December 31**



The Fund's year-to-date return as of 6/30/10 (not annualized) was 4.54%.

Best Quarter: 11.38% (3Q09).  
 Worst Quarter: -13.75% (4Q08).

**Average Annual Total Returns for periods ended December 31, 2009**

Sit High Income Municipal Bond Fund	1 Year	Since Inception (12/31/06)
Return before taxes	26.20%	-0.08%
Return after taxes on distributions	26.20	-0.08
Return after taxes on distributions and sale of Fund shares	23.12	0.59
Barclays Capital Municipal Bond Index (reflects no deduction for fees, expenses or taxes)	12.91	4.41

**INVESTMENT ADVISER AND PORTFOLIO MANAGERS**

Sit Investment Associates, Inc. serves as the Fund's investment adviser (the "Adviser"). The Fund's investment decisions are made by a team of portfolio managers and analysts who are jointly responsible for the day-to-day management of the Fund.

The primary portfolio managers of the Fund are:

- Michael C. Brilley**, Senior Vice President, has served as Chief Fixed Income Officer of the Fund since the Fund's inception.
- Debra A. Sit**, Vice President – Investments, has served as Senior Portfolio Manager of the Fund since the Fund's inception.
- Paul J. Jungquist**, Vice President – Investments, has served as Portfolio Manager of the Fund since the Fund's inception.

The Fund's inception date is December 31, 2006.

**PURCHASE AND SALE OF FUND SHARES**

The minimum initial investment for shares of the Fund is \$150,000. The minimum subsequent investment is \$5,000. The Fund's shares are redeemable. In general, you may buy or redeem shares of the Fund on any business day by mail (Sit Mutual Funds, P.O. Box 9763, Providence, RI 02940) or by phone (1-800-332-5580).

For additional information, please see "Buying and Selling Shares" in the Prospectus.

## **TAX INFORMATION**

The Fund expects that its distributions will consist primarily of tax-exempt interest dividends. These dividends are not subject to regular federal income tax but may be subject to state or local taxes. Distributions paid from any interest income that is not tax-exempt and from any short-term or long-term capital gains will be taxable whether you reinvest those distributions or receive them in cash. Distributions paid from the Fund's net long-term capital gains, if any, are taxable to you as long-term capital gains, regardless of how long you have held your shares.

The sale or exchange of your shares in the Fund is a taxable transaction, and you may incur a capital gain or loss on the transaction. If you held the shares for more than one year, such gain or loss would be a long-term gain or loss. A gain or loss on shares held for one year or less is considered short-term and is taxed at the same rates as ordinary income.

## **PAYMENTS TO BROKER-DEALERS AND OTHER FINANCIAL INTERMEDIARIES**

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank or financial adviser) the financial intermediary may impose account charges. The Fund and its related companies may also pay that intermediary for the sale of Fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary to recommend the Fund over another investment. Ask your intermediary or visit your intermediary's website for more information.

## **ADDITIONAL INFORMATION ABOUT THE FUND**

The Fund's investment objective and its principal investment strategies and risks are described under "Fund Summary." This section provides additional information about the Fund's investments and certain portfolio management techniques the Fund may use, as well as the principal risks that may affect the Fund's portfolio. The Fund's investment objectives and certain other investment restrictions designated as fundamental may not be changed without shareholder approval. These policies are described in the Statement of Additional Information. In seeking to achieve its investment objective, the Fund may also invest in various types of securities and engage in various investment practices which are not the principal focus of the Fund and therefore not described in this Prospectus. Additional information about some of these investments and portfolio management techniques and their associated risks is included in the Fund's Statement of Additional Information.

### **HOW THE FUND INVESTS**

The Fund's experienced management team bases its investment decisions on its economic and interest rate forecasts; its evaluation of a security's attributes such as prepayment risk, yield, maturity, and liquidity; and the Fund's characteristics such as average duration and diversification. Decisions to buy and sell securities are based on the management team's best judgment to achieve the Fund's investment objectives.

The investment objective of the Fund is to seek high current income that is exempt from regular federal income tax. The Fund seeks to achieve its objective by investing primarily in municipal securities that generate interest income that is exempt from regular federal income tax. During normal market conditions, the Fund invests 100% (and, as a fundamental policy, no less than 80%) of its net assets in such tax-exempt municipal securities.

The Fund invests in municipal securities that are rated by a nationally recognized statistical rating organization (NRSRO), or if not rated by a NRSRO, the Fund's Adviser determines a comparable quality rating of the non-rated securities. The Fund seeks to maintain a minimum average credit quality rating of triple-B, including the comparable ratings of the non-rated securities as determined by the Fund's Adviser. The Fund may invest up to 60% of its assets in municipal securities rated below investment-grade, or if non-rated, determined to be of comparable quality by the Fund's Adviser. Debt securities rated below investment-grade are commonly known as "junk bonds" and are considered predominately speculative and involve greater risk of default or price changes. The Fund may not invest in securities rated lower than B3 or B-, but may invest up to 10% of its assets in non-rated securities determined by the Adviser to have comparable ratings below B3 or B-.

Municipal securities are debt obligations issued by or for U.S. states, territories, and possessions and the District of Columbia, and their political subdivisions, agencies, and instrumentalities. The Fund invests in both general obligation bonds, which are secured by the full faith, credit and taxation power of the issuing municipality, and in revenue bonds, which are backed by and payable only from the revenues derived from a specific facility or specific revenue source. The Fund generally invests a significant portion of its assets in obligations of municipal housing authorities which include single family and multi-family mortgage revenue bonds, revenue bonds of health-care related facilities, and revenue bonds of educational institutions, which include higher education institutions, public, private and charter schools, and student loan-backed bonds.

In selecting securities for the Fund, Fund managers seek securities providing high current tax-exempt income. In making purchase and sales decisions for the Fund, the Fund managers consider their economic outlook and interest rate forecast, as well as their evaluation of a security's structure, credit quality, yield, maturity, liquidity and portfolio diversification. Fund managers attempt to maintain an average effective duration for the portfolio of approximately 3 to 10 years based on the managers' economic outlook and the direction in which inflation and interest rates are expected to move. Duration is a measure of total price sensitivity relative to changes in interest

rates. Portfolios with longer durations are typically more sensitive to changes in interest rates. The correlation between duration and price sensitivity is greater for securities rated investment-grade than it is for securities rated below investment-grade. The Fund's dollar-weighted average maturity will, under normal market conditions, range between 12 and 25 years. However, since the Fund's securities are subject to various types of call provisions which make their expected average lives shorter than their stated maturity dates, the Fund managers believe that the Fund's average effective duration is a more accurate measure of the Fund's price sensitivity to changes in interest rates than the Fund's dollar-weighted average maturity.

## **MORE ON THE FUND'S RISKS**

All investments carry some degree of risk which will affect the value of a Fund's investments, investment performance and price of its shares. It is possible to lose money by investing in the Funds.

The principal risks of investing in the Fund are as follows:

- > **Call Risk:** Many bonds may be redeemed ("called") at the option of the issuer before their stated maturity date. This may happen during a period of falling interest rates when an issuer can refinance its bonds by issuing new bonds which bear a lower interest rate. A Fund would then be forced to invest the unanticipated proceeds in lower yielding securities. The loss of higher yielding securities and the reinvestment at lower interest rates can reduce a Fund's income, total return and share price.
- > **Credit Risk:** The issuer of a debt security or a guarantor of a security held by the Fund 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 the Fund to sell. When the Fund purchases unrated securities, it will depend on the Adviser's 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 the Adviser's analysis of creditworthiness is incorrect or may change due to market conditions.
- > **Derivatives Risk:** The Fund may incur losses from its investments in options, futures, swaps, structured debt securities and other derivative instruments. Investments in derivative instruments may result in losses exceeding the amounts invested. The Fund may use derivatives to for hedging purposes. Compared to conventional securities, derivatives can be more sensitive to changes in interest rates or to sudden fluctuations in market prices and thus the Fund's losses may be greater if it invests in derivatives than if it invests only in conventional securities.
- > **High-Yield Risk:** The Fund may invest up to 60% of its assets in municipal securities rated below investment-grade, or if non-rated, determined to be of comparable quality by the Fund's Adviser. Debt securities rated below investment-grade 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 Fund may not achieve the expected return from non-investment grade debt securities and that its share price may be adversely affected by declines in the value of these securities.
- > **Income Risk:** The income you earn from a Fund may decline due to declining interest rates. This is because, in a falling interest rate environment, a Fund generally will have to invest the proceeds from sales of Fund shares, as well as 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 the Fund to decline in value, and thereby lower the Fund's value and the overall return on your investment. The magnitude of this decrease is often greater for longer-term fixed income securities than shorter-term securities.
- > **Liquidity Risk:** The Fund may not be able to pay redemption proceeds within the time periods described in this Prospectus because of an inability 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, the Fund 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 the Fund's performance. Infrequent trading may also lead to greater price volatility.
- > **Management Risk:** The Fund's performance will reflect in part the Adviser's ability to implement its investment strategy and make investment decisions which are suited to achieving the Fund's investment objective. A strategy used by the investment man-

agement team may fail to produce the intended results. The Fund could underperform its benchmark or other mutual funds with similar investment objectives.

- > **Market Risk:** The value of the securities in which the Fund invests may go up or down in response to the prospects of individual issuers and/or general economic conditions. Securities markets may experience great short-term volatility and may fall sharply at times. Different markets may behave differently from each other. Price changes may be temporary or last for extended periods. You could lose money over short periods due to fluctuation in the Fund's net asset value ("NAV") in response to market movements, and over longer periods during market downturns. Recently, securities markets experienced extraordinary volatility, substantially lower valuations, reduced liquidity, credit downgrades, increased likelihood of default and valuation difficulties. As a result, many of the risks described in this Prospectus may be heightened. The U.S. government has taken numerous steps to alleviate these market concerns, including without limitation, acquiring ownership interests in distressed institutions. However, there is no assurance that such actions will be successful. Continuing market problems and government intervention in the economy may adversely affect the Fund.
- > **Political, Economic and Tax Risk:** The value of, the income generated by, and the ability of the Fund to sell a municipal security may be affected by constitutional amendment, legislative enactments, executive orders, administrative regulations and voter initiatives as well as the economies of the regions in which the issuers in which the Fund's investments 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 the Fund 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.
- > **Revenue Bond Risk:** The revenue bonds in which the Fund invests may entail greater credit risk than the Fund's investments in general obligation bonds because such bonds are generally not backed by the taxing power of the issuing municipality. In particular, weaknesses in federal housing subsidy programs and their administration may result in a decrease of subsidies available for the payment of principal and interest on certain multi-family housing authority bonds.
- > **Sector Concentration - Education Bond Risk:** Because the Fund may invest a significant portion of its assets in education bonds, the Fund may be more affected by events influencing the education sector than a fund that is more diversified across numerous sectors. An issuer's gross receipts and net income available for debt service on an education bond may be affected by future events and conditions including, among other things, fluctuations in interest rates, construction costs, operating costs; student enrollment, state and federal government funding programs, and donations.
- > **Sector Concentration - Health Care Facility Revenue Obligations Risk:** Because the Fund may invest a significant portion of its assets in health care facility bonds, the Fund may be more affected by events influencing the health care sector than a fund that is more diversified across numerous sectors. A health care facility's gross receipts and net income available for debt service may be affected by future events and conditions including, among other things, demand for services, efforts by insurers and governmental agencies to limit rates, legislation and changes in Medicare, Medicaid and other similar third-party payor programs.
- > **Sector Concentration - Housing Authority Bonds Risk:** Because the Fund may invest a significant portion of its assets in housing authority bonds, the Fund may be more affected by events influencing the housing sector than a fund that is more diversified across numerous sectors. A housing authority's gross receipts and net income available for debt service may be affected by future events and conditions including, among other things, economic developments such as fluctuations in interest rates, construction costs and operating costs; and changes in federal housing subsidy programs. A housing authority's inability to obtain additional financing could also reduce revenues available to pay existing obligations.
- > **Temporary Investment Risk:** The Fund may hold cash and/or invest all or a portion of its assets in short-term obligations in response to adverse market, economic or other conditions when the investment management team believes that it is in the best interest of the Fund to pursue such a defensive strategy. The investment management team may, however, choose not to make such temporary investments even in very volatile or adverse conditions. A Fund may not achieve its investment objective when it holds cash or invests its assets in short-term obligations. A Fund also may miss investment opportunities and have a lower total return during these periods.
- > **Valuation Risk:** The Fund may hold securities for which prices from pricing services may be unavailable or are deemed unreliable,

in which case the Fund's procedures for valuing investments provide that the Adviser shall use the fair value of such securities for valuing investments. There is a risk that the fair value determined by the Adviser or the price determined by the pricing service may be different than the actual sale prices of such securities.

## **TEMPORARY DEFENSIVE INVESTING**

For temporary defensive purposes in periods of unusual market conditions, the Fund may invest all of its total assets in cash or short-term debt securities including certificates of deposit, bankers' acceptances and other bank obligations, corporate and direct U.S. obligation bonds, notes, bills, commercial paper and repurchase agreements. Investing in these temporary investments may reduce the Fund's yield and prevent it from achieving its investment objective.

## **PORTFOLIO TURNOVER**

The Fund may trade securities frequently, resulting, from time to time, in an annual portfolio turnover rate of over 100%. However, historically, the Fund's turnover rate has been less than 100%. The "Financial Highlights" section of this Prospectus shows the Fund's historical portfolio turnover rate. A high portfolio turnover rate generally will result in greater brokerage commission expenses borne by a Fund which may decrease the Fund's yield. A high portfolio turnover rate may result in higher amounts of realized capital gain, including short-term capital gain, subject to the payment of taxes by shareholders.

## **PORTFOLIO HOLDINGS DISCLOSURE**

The Fund's portfolio holdings are included in the Fund's annual and semi-annual financial reports that are mailed to shareholders of record. Additionally, a complete portfolio holdings report is filed quarterly with the SEC and is available on the SEC website at [www.sec.gov](http://www.sec.gov) or upon request from an Investor Service Representative. A complete description of the Funds' portfolio holdings disclosure policies is available in the Fund's Statement of Additional Information.

## **DURATION**

Duration measures how much the value of a security is expected to change with a given change in interest rates. Effective duration is one means used to measure interest rate risk. The longer a security's effective duration, the more sensitive its price is to changes in interest rates. For example, if interest rates rise by 1%, the market value of a security with an effective duration of 3 years would decrease by 3%, with all other factors being constant. The Adviser uses several methods to compute duration estimates appropriate for particular securities held in the Fund's portfolio. Duration estimates are based on assumptions by the Adviser and subject to a number of limitations. Duration is most useful when interest rate changes are small and occur equally in short-term and long-term securities. In addition, it is difficult to calculate precisely for bonds with prepayment options, such as mortgage-related securities, because the calculation requires assumptions about prepayment rates.

## **SECURITIES RATINGS**

When debt securities are rated by one or more nationally recognized statistical rating organization (NRSRO), the Adviser uses these ratings to determine bond quality. Investment-grade debt securities are those that are rated within the four highest rating categories, which are AAA, AA, A, and BBB by Standard & Poor's and Fitch Ratings, and Aaa, Aa, A and Baa by Moody's Investors Services. Debt securities rated below investment-grade are commonly known as junk bonds. The Fund may invest up to 60% of its assets in municipal securities rated below investment-grade. If a debt security's credit quality rating is downgraded after the Fund's purchase, the Adviser will consider whether any action, such as selling the security, is warranted. The Fund may not invest in securities rated lower than B3 or B-, but may invest up to 10% of its assets in non-rated securities determined by the Adviser to have comparable ratings below B3 or B-.

The Fund may invest without limitation in municipal securities that are not rated by a NRSRO. In most cases these bonds are non-rated because the issuer has chosen not to pay for a credit rating firm for the rating typically when the issuer determines that the extra cost incurred could be better spent on other expenses, or the issuer was unable to obtain an investment grade rating from a NRSRO. The Fund's Adviser determines a comparable quality rating of the non-rated securities.

## FUND MANAGEMENT

### INVESTMENT ADVISER

Sit Investment Associates, Inc. (the “Adviser”), 3300 IDS Center, 80 S. Eighth Street, Minneapolis, Minnesota 55402, is the Fund’s investment adviser. The Adviser was founded in 1981 and provides investment management services for both public and private clients. As of June 30, 2010, the Adviser had approximately \$9.1 billion in assets under management, including approximately \$2.2 billion for the 12 Sit Mutual Funds.

Under an Investment Management Agreement between the Fund and the Adviser (the “Agreement”), the Adviser manages the Fund’s business and investment activities, subject to the authority of the board of directors. A discussion regarding the basis of the board of directors’ approving the Agreement is available in the Fund’s Annual Report to shareholders, dated March 31, 2010. The Fund pays the Adviser a fee for its services equal to .60% per year of the Fund’s average daily net assets.

### PORTFOLIO MANAGEMENT

The Funds’ investment decisions are made by a team of portfolio managers and analysts who are jointly responsible for the day-to-day management of the Funds. The portfolio management team is led by Michael C. Brilley, Senior Vice President of the Adviser; Debra A. Sit, Vice President of the Adviser; and Paul Jungquist, Vice President of the Adviser. Roger J. Sit, Chairman, President, CEO, and Global Chief Investment Officer of the Adviser establishes and oversees Fund policy and investment management strategies.

The following table lists the individual team members that are primarily responsible for managing the Fund’s investments.

Portfolio Manager Title	Role on Management Team	Experience with: • Management Team • Advisor • Industry	Past 5 Years Business Experience
<b>High Income Municipal Bond Fund</b>			
Michael C. Brilley Senior Vice President	Chief Fixed-Income Officer	<ul style="list-style-type: none"> <li>• Fund inception on 12/31/06</li> <li>• 26 yrs</li> <li>• 42 yrs</li> </ul>	Senior Vice President and Senior Fixed Income Officer of the Adviser; Director and President and Chief Fixed Income Officer of Sit Investment Fixed Income Advisors, Inc. (“SF”).
Debra A. Sit Vice President — Investments	Senior Portfolio Manager	<ul style="list-style-type: none"> <li>• Fund inception on 12/31/06</li> <li>• 29 yrs</li> <li>• 29 yrs</li> </ul>	Vice President — Bond Investments of the Adviser; Senior Vice President and Senior Portfolio Manager of SF.
Paul J. Jungquist Vice President — Investments	Portfolio Manager	<ul style="list-style-type: none"> <li>• Fund inception on 12/31/06</li> <li>• 16 yrs</li> <li>• 16 yrs</li> </ul>	Vice President and Portfolio Manager of SF.

The Statement of Additional Information provides additional information about the Portfolio Managers’ compensation, other accounts managed by the Portfolio Managers, and the Portfolio Managers’ ownership of securities in the Fund, if any.

# BUYING AND SELLING SHARES

## BUYING SHARES

### To Open an Account

Minimum Investment	Buy by Mail	Buy by Telephone	Buy Online
\$150,000	<p>Mail a completed account application and your check payable to:                      Sit Mutual Funds                      P. O. Box 9763                      Providence, RI 02940</p> <p>Certain checks and other instruments are not accepted without prior approval such as:</p> <ul style="list-style-type: none"> <li>• third party checks</li> <li>• money orders</li> <li>• travel checks</li> <li>• starter checks</li> <li>• credit card checks</li> </ul> <p>Prospectuses and account applications may be viewed and printed from our website, <a href="http://www.sitfunds.com">www.sitfunds.com</a>.</p>	<p>Fax a completed account application to Sit Mutual Funds at 612-342-2111 and then call us at 1-800-332-5580 for a new account number and bank wiring instructions.</p> <p>Instruct your bank to wire your investment to us using the wire instructions we have given you. Your bank may charge a wire fee. Mail the original signed account application to:                      Sit Mutual Funds                      P.O. Box 9763                      Providence, RI 02940</p> <p><b>Note for IRA Accounts:</b> An IRA account cannot be opened over the telephone.</p>	<p>You cannot open an account and make an initial purchase online.</p>

- Shares may be purchased on any day the NYSE is open with a minimum initial investment of \$150,000.
- IRA accounts (regular, Roth and SEP) require a minimum initial investment of \$2,000 per fund.

### To Add to an Account

Minimum Investment	Buy by Mail	Buy by Telephone	Buy Online
\$5,000	<p>Mail a completed investment slip for a particular fund (which you received in your account statement) or a letter of instruction with a check payable to:                      Sit Mutual Funds                      P. O. Box 9763                      Providence, RI 02940</p> <p>A letter of instruction must include your account number, the name(s) of the registered owner(s) and the Fund(s) that you want to purchase.</p> <p>Certain checks and other instruments are not accepted without prior approval such as:</p> <ul style="list-style-type: none"> <li>• third party checks</li> <li>• money orders</li> <li>• travel checks</li> <li>• starter checks</li> <li>• credit card checks</li> </ul>	<p><b>Payment by Wire.</b> Instruct your bank to wire your investment of the Sit Mutual Funds using the wire instructions on the back of the prospectus. Call us at 1-800-332-5580 and notify us of the wire.</p> <p><b>Payment by ACH.</b> Call us at 1-800-332-5580 to request that a purchase be made electronically from your bank account. The shares purchased will be priced on the next business day following your telephone request made prior to the close of the NYSE.</p> <p>Before using the ACH feature, you must set up the ACH option on your initial account application or a Change of Account Options Form.</p>	<p>You may purchase additional shares of a Sit Fund online. Visit <a href="http://www.sitfunds.com">www.sitfunds.com</a> to access your account. Your account must have a designated bank account to execute transactions.</p>

- Additional investments in any account must be at least \$5,000.
- You may set up an Automatic Investment Plan on your initial account application or on a Change of Account Options Form. The Plan will invest in the selected Fund electronically from your bank account (via ACH) on any day the Funds are open.

## SELLING SHARES

### To Sell Shares

Sell by Mail	Sell by Telephone	Sell Online
<p>Mail a written request that includes:</p> <ul style="list-style-type: none"> <li>• account number</li> <li>• names and signatures of all registered owners exactly as they appear on the account</li> <li>• name of Fund and number of shares or dollar amount you want to sell</li> <li>• Medallion signature guarantee(s) if you have requested that the proceeds from the sale be:               <ul style="list-style-type: none"> <li>• paid to anyone other than the registered account owners</li> <li>• paid by check and mailed to an address other than the registered address</li> <li>• sent via bank wire (currently an \$8 fee) to a bank different than the bank authorized by you on your account application</li> </ul> </li> <li>• supporting legal documents, if required (see "General Rules")</li> <li>• method of payment (check, wire transfer, or ACH, see "General Rules")</li> </ul>	<p>Call us at 1-800-332-5580 and request a sale of shares.</p> <p>Before selling shares by telephone, you must set up the option on your initial account application or a Change of Account Options Form. Proceeds from the sale will be sent as directed on your application by check, bank wire or ACH. The Funds' bank charges a wire fee to send the proceeds via bank wire (currently \$8).</p> <p><b>Note for IRA Accounts:</b> A sale of shares from an IRA account cannot be made over the telephone. Mail a completed IRA Distribution Form to Sit Mutual Funds.</p>	<p>You may sell shares of a Sit Fund online. Visit <a href="http://www.sitfunds.com">www.sitfunds.com</a> to access your account. Your account must have a designated bank account to execute transactions.</p>

**Note for IRA Accounts:** Mail a signed IRA Distribution Form to Sit Mutual Funds

- Your sale proceeds will be paid as soon as possible, generally not later than 7 days after the Funds' receipt of your request to sell. However, if you purchased shares with nonguaranteed funds, such as a personal check, and you sell shares, your sale proceeds payment will be delayed until your check clears, which may take 15 days. You may receive proceeds from the sales of your shares in one of three ways:
  - *By Mail:* Your check will generally be mailed to the address of record within 7 days after receipt of your request.
  - *By Wire:* Your bank account will generally be credited within 1 to 2 business days after receipt of your request. The Funds' bank charges a wire fee (currently \$8) which will be deducted from the balance of your account or from the amount being wired if your account has been completely redeemed. The recipient bank may also charge a wire fee.
  - *By ACH:* Your bank account will generally be credited within 1 to 2 business days after receipt of your request.
- *Other Documents:* Under certain circumstances, sales of shares may require additional legal documentation, such as sales by estates, trusts, guardianships, custodianships, corporations, pension and profit sharing plans and other organizations.
- *Medallion Signature Guarantee:* A medallion signature guarantee assures that a signature is genuine and protects shareholders from unauthorized account transactions. A medallion signature guarantee may be obtained from a bank, brokerage firm, or other financial institution that is participating in a medallion program recognized by the Securities Transfer Association. A notary public stamp cannot be substituted for a medallion signature guarantee.
- You may set up an Automatic Withdrawal Plan (minimum \$100) on your initial account application or on a Change of Account Options Form. The Plan will sell shares of the selected Fund and send the proceeds by check or by ACH.

## EXCHANGING SHARES

### To Exchange Shares

Exchange by Mail	Exchange by Telephone	Exchange Online
<p>You may sell shares of one Sit Fund and purchase shares of another Sit Fund by mailing a letter of instruction signed by all registered owners of the account to:</p> <p>Sit Mutual Funds P. O. Box 9763 Providence, RI 02940</p>	<p>You may sell shares of one Sit Fund and purchase shares of another Sit Fund by calling us at 1-800-332-5580. If you call after business hours, you will need your Personal Identification Number to use the automatic telephone system.</p>	<p>You may sell shares of one Sit Fund and purchase shares of another Sit Fund online. Visit <a href="http://www.sitfunds.com">www.sitfunds.com</a> to access your account.</p>

A letter of instruction must include your account number, the name(s) and the number of shares or dollar amount of the Fund(s) you want to sell and the name(s) of the Fund(s) you want to purchase.

- There is no cost to sell shares of one or more Sit Funds and use the proceeds to buy shares of another Sit Fund.
- Before making an exchange, please read the Prospectus and consider the investment objective of the Fund you are purchasing.
- An exchange of shares is a sale for federal income tax purposes and you may have a taxable capital gain or loss.
- You may set up an Automatic Exchange Plan on your initial account application or on a Change of Account Options Form. The Plan will sell shares of one Sit Fund and invest in another Sit Fund on any day the Funds are open.

## **ACCOUNT INFORMATION**

### **PRICING OF FUND SHARES**

Your price for purchasing, selling, or exchanging shares is based on the Fund's net asset value (NAV) per share, which is calculated as of the close of regular trading on the New York Stock Exchange (generally 3:00 p.m. Central time) every day the exchange is open. The NAV per share of the Fund will fluctuate. A Fund's NAV per share is calculated by adding the total value of the Fund's investments and other assets (including accrued income), subtracting its liabilities, and dividing by the number of outstanding shares of the Fund.

The Board of Directors has adopted procedures for valuing investments and has delegated to the Adviser the daily valuation of such investments. Pursuant to the procedures, security valuations for a Fund's investments are furnished by one or more independent pricing services that have been approved by the Fund's Board of Directors. In certain situations, the Adviser may use the fair value of a security if prices are unavailable or are deemed unreliable. The Adviser expects to fair value domestic securities in limited circumstances, such as when the securities are subject to restrictions on resale; an event occurs after the close of a securities market (usually a foreign market) and before a Fund values its assets that would materially affect net asset value; and debt securities that have gone into default and for which there is no current market value quotation.

A security that is fair valued may be valued at a price higher or lower than actual market quotations or the value determined by other mutual funds using their own fair valuation procedures. Fair value pricing involves subjective judgments and it is possible that the fair value determined for a security may be different than the value that could be realized upon the sale of that security.

Short-term debt securities maturing in less than 60 days are valued at amortized cost. The amortized cost method of valuation initially values a security at its purchase cost, then consistently adjusts the cost value by amortizing/accreting any discount or premium paid until the security's maturity without regard to fluctuating interest rates.

### **WHEN ORDERS ARE EFFECTIVE**

Purchase, exchange, and sale orders are received and may be accepted by Sit Mutual Funds only on days the New York Stock Exchange ("NYSE") is open. The customary national business holidays observed by the NYSE are: New Year's Day, Martin Luther King Jr. Day, President's Day, Good Friday, Memorial Day, July Fourth, Labor Day, Thanksgiving Day and Christmas Day. Purchase, exchange, and sale orders received prior to the close of the NYSE (generally 3:00 p.m. Central time) are processed at the net asset value per share calculated for that business day, except purchases made to an existing account via Automated Clearing House, "ACH," electronic transfer of funds. ACH purchases are invested at the net asset value per share on the next business day (or, if the next business day is a bank holiday, then two business days) after your telephone call to the Funds if you call the Funds prior to the close of the NYSE. Your bank account will be debited within 1 to 2 business days.

If your purchase, exchange, or sale order is received after the close of the NYSE, the purchase, exchange or sale will be made at the net asset value calculated on the next day the NYSE is open.

## INVESTING THROUGH FINANCIAL INTERMEDIARIES

There is no charge to invest, exchange, or sell shares when you make transactions directly through Sit Mutual Funds.

The Fund may authorize certain institutions acting as financial intermediaries (including banks, trust companies, brokers and investment advisers), to accept purchase, redemption and exchange orders from their customers on behalf of the Fund. A Fund will be deemed to have received an order when the order is received by the authorized intermediary in good form, and the order will be priced at the Fund's per share NAV next determined, provided that the authorized intermediary forwards the order (and payment for any purchase order) to the Fund (or its transfer agent) within agreed upon time periods. Investors purchasing shares through a financial intermediary should read their account agreements carefully. A financial intermediary's requirements may differ from those listed in this Prospectus. A financial intermediary also may impose account charges, such as asset allocation fees, account maintenance fees and other charges. If you purchase the Fund through a broker-dealer or other financial intermediary, the Fund and its related companies may pay the intermediary for the sale of Fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary's web site for more information.

## EARLY REDEMPTION FEE

The Fund charges a redemption fee on shares held for less than 30 calendar days. The fee is retained by the Fund for the benefit of its long-term shareholders. It is charged to discourage short-term trading of the Fund by market timers or other investors who do not share the long-term strategy of the Fund, and to reduce the expenses of long-term shareholders by reducing the trading costs and other costs associated with short-term investments in the Fund.

The "first-in, first-out" (FIFO) method is used to determine the holding period; this means that if you bought shares on different days, the shares purchased first will be redeemed first for the purpose of determining whether the fee applies.

The redemption fee will not be assessed on the following redemptions or exchanges:

- > shares in accounts of asset allocation or wrap programs or other fee-based programs of intermediaries whose trading practices are determined by the Fund not to be detrimental to the Fund or long-term shareholders, such as model driven programs with periodic automatic portfolio rebalancing or non-discretionary rebalancing or asset allocation programs;
- > shares acquired through reinvestment of dividends and/or capital gains;
- > shares redeemed in involuntary transactions, including, for example, shares redeemed from a shareholder account for purposes of complying with the anti-money laundering (AML) requirements or required by law or regulation, a regulatory agency, or a court order;
- > shares redeemed due to the shareholder's death; and
- > shares redeemed from certain omnibus accounts held by financial intermediaries whose systems are unable to assess the redemption fee; certain employer-sponsored retirement accounts (including certain plans qualified under 401(k) of the Internal Revenue Code and other types of defined contribution or employee benefit plans); and shares redeemed in connection with required distributions from an IRA.

## PURCHASE RESTRICTIONS

The Fund may reject or restrict any purchase or exchange order at any time when, in the judgment of management, it is in the best interests of the Fund. For example, see the discussion regarding "Excessive Trading in Fund Shares" below.

## EXCESSIVE TRADING IN FUND SHARES

The Fund discourages excessive short-term trading that could be disruptive to the management of the Fund. When large dollar amounts are involved, a Fund may have difficulty implementing investment strategies, because it cannot predict how much cash

it will have to invest. Excessive trading also may force a Fund to sell portfolio securities at disadvantageous times to raise the cash needed to satisfy a redemption request, and may increase brokerage expenses. These factors may hurt a Fund's performance and its shareholders.

The Fund may, in its discretion, reject any purchase or exchange order from a shareholder if the Fund determines that the shareholder's short-term trading activity is excessive. The Fund's Board of Directors has approved policies and procedures designed to discourage excessive trading in Fund shares. The Fund monitors purchase orders and investigates orders that exceed certain thresholds and attempt to confirm that the investment is not being made for a short-term, otherwise any such trade will be rejected. The Fund has the right to modify the market timing policy at any time without advance notice. The Fund seeks to apply market timing policies and procedures uniformly to all shareholders. The Fund makes reasonable efforts to apply these policies and procedures to shareholders who own shares through omnibus accounts, however, it should be noted that the ability of the Fund to monitor and limit excessive short-term trading of shareholders investing in a Fund through the omnibus account of a financial intermediary may be significantly limited or absent where the intermediary maintains the underlying shareholder accounts. Despite our efforts to discourage market timing, there is no guarantee that the Fund or its agents will be able to identify market timers or curtail their trading practices.

### **SMALL ACCOUNT BALANCES / MANDATORY REDEMPTIONS**

If your account balance in the Fund falls below \$150,000 as a result of selling or exchanging shares, the Fund has the right to redeem your shares and send you the proceeds. Before redeeming your account, the Fund will mail you a notice of its intention to redeem, which will give you an opportunity to make an additional investment. If you do not increase the value of your account to at least \$150,000 within 30 days of the date the notice was mailed, the Fund may redeem your account.

### **INVESTOR SERVICE FEES**

Investor Services Representatives can provide many services to you. You will be charged a fee for some customized services, such as researching historical account statements and mailings via overnight delivery services. A schedule of services with applicable fees, if any, is available upon request.

### **CUSTOMER IDENTIFICATION PROGRAM**

Federal law requires the Fund to obtain, verify and record identifying information, which may include the name, residential or business street address, date of birth (for an individual), social security or taxpayer identification number or other identifying information for each investor who opens an account with the Fund. Applications without this information, or without an indication that a social security or taxpayer identification number has been applied for, may not be accepted. After acceptance, to the extent permitted by applicable law or its customer identification program, the Fund reserves the right to: (a) place limits on account transactions until the investor's identity is verified; (b) refuse an investment in the Fund or (c) involuntarily redeem an investor's shares and close an account in the event that an investor's identity is not verified. The Fund and its agents will not be responsible for any loss in an investor's account resulting from the investor's delay in providing all required identifying information or from closing an account and redeeming an investor's shares when an investor's identity is not verified.

### **MAILING OF REGULATORY DOCUMENTS**

The Fund's practice is to "household," or consolidate shareholder mailings of regulatory documents such as prospectuses, shareholder reports, and proxies to shareholders at a common address. This means that a single copy of these regulatory documents is sent to the address of record. If at any time you wish to receive multiple copies of the regulatory documents at your address, you may contact the Fund and the Fund will mail separate regulatory documents to each of your individual accounts within 30 days of your call. Regulatory documents are also available to you electronically. If you would like to receive this prospectus or other regulatory document electronically, please visit [www.sitfunds.com](http://www.sitfunds.com) or call 1-800-332-5580 for information about registering for "e-delivery."

## **PRIVACY POLICY**

The Fund takes its shareholders' personal privacy seriously. In order to provide financial products and services, the Fund may collect nonpublic personal information about their shareholders 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 shareholder's name, address, tax identification number or social security number, assets and income;
- > Information about shareholder transactions and communications with the Fund, 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.

The Fund does not disclose any nonpublic personal information about their shareholders or former shareholders to anyone outside the Fund's organization except as necessary in order to provide services to their shareholders as permitted by law. For example, we may disclose nonpublic personal information about a shareholder to a non-affiliated company assisting the Fund in servicing accounts such as providing transfer agent services. To safeguard their shareholder's personal information, the Fund insists that their service providers limit access to personal information to authorized employees and agents and maintain appropriate safeguards.

The Fund restricts access to their shareholders' nonpublic personal information to those employees who need to know that information to provide products or services to their shareholders. The Fund maintains physical, electronic and procedural safeguards that comply with federal standards to guard their shareholders' nonpublic personal information.

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

## **DIVIDENDS AND DISTRIBUTIONS**

Dividends from the Fund's net investment income are declared daily and paid monthly. Net investment income includes interest earned on bonds and other debt securities and dividends on stocks less operating expenses.

Capital gains, if any, are distributed at least once a year by the Fund. A capital gain occurs if the Fund sells portfolio securities for more than its cost. If you buy Fund shares just before a capital gain distribution, in effect, you "buy the distribution." You will pay the full price for the shares and then receive a portion of that price back as a taxable distribution.

Dividend and capital gain distributions are automatically reinvested in additional shares of the Fund at the net asset value per share on the distribution date. However, you may request that distributions be automatically reinvested in another Sit Mutual Fund, or paid in cash. Such requests may be made on the application, Change of Account Options form, or by written notice to Sit Mutual Funds. You will receive a quarterly statement reflecting the dividend payment and, if applicable, the reinvestment of dividends. If cash payment is requested, an ACH transfer will be initiated, or a check normally will be mailed within five business days after the payable date. No interest will accrue on uncashed distribution, dividend, or sales proceeds checks.

## **TAXES**

Some of the tax consequences of investing in the Fund are discussed below. More information about taxes is in the Statement of Additional Information. However, because everyone's tax situation is unique, always consult your tax professional about federal, state and local tax consequences.

### **TAXES ON DISTRIBUTIONS**

The Fund intends to meet certain federal tax requirements so that distributions of tax-exempt interest income may be treated as "exempt-interest dividends." These dividends are not subject to regular federal income tax. However, the Fund may invest up to 10% of its assets in municipal securities the interest on which is subject to the alternative minimum tax. Any portion of exempt-interest dividends attributable to interest on these securities may increase some shareholders' alternative minimum tax. The Fund expects that its distributions will consist primarily of exempt-interest dividends. The Fund's exempt-interest dividends may be subject to state or local taxes. Distributions paid from any interest income that is not tax-exempt and from any short-term or long-term capital gains will be taxable whether you reinvest those distributions or receive them in cash. Distributions paid from the Fund's net long-term capital gains, if any, are taxable to you as long-term capital gains, regardless of how long you have held your shares.

### **TAXES ON TRANSACTIONS**

The sale or exchange of your shares in the Fund is a taxable transaction, and you may incur a capital gain or loss on the transaction. If you held the shares for more than one year, such gain or loss would be a long-term gain or loss. A gain or loss on shares held for one year or less is considered short-term and is taxed at the same rates as ordinary income.

## FINANCIAL HIGHLIGHTS

The table that follows presents performance information about the shares of the Fund. This information is intended to help you understand the Fund's financial performance for the past 5 years. Some of this information reflects financial results for a single Fund share. The total return in the table represents the rate that you would have earned or lost on an investment in the Fund, assuming you reinvested all of your dividends and distributions. This information has been derived from the Fund's financial statements, which have been audited by KPMG LLP, an independent registered public accounting firm, whose report, along with the Fund's financial statements, is included in the Fund's annual report, which is available upon request.

### Financial Highlights — Sit High Income Municipal Bond Fund

	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008	Three months ended March 31, 2007
<b>Net Asset Value:</b>				
Beginning of period	\$7.66	\$9.12	\$10.01	\$10.00
<b>Operations:</b>				
Net investment income (1)	.43	.44	.41	.08
Net realized and unrealized gains (losses) on investments	1.06	(1.46)	(.89)	.01
Total from operations	1.49	(1.02)	(.48)	.09
<b>Distributions to Shareholders:</b>				
From net investment income	(.43)	(.44)	(.41)	(.08)
<b>Net Asset Value:</b>				
End of period	\$8.72	\$7.66	\$9.12	\$10.01
Total investment return (2)	19.84%	(11.45%)	(4.89%)	0.90%
Net assets at end of period (000's omitted)	\$69,903	\$33,702	\$24,777	\$9,480
<b>Ratios (3):</b>				
Expenses (without waiver) (4)	0.91%	0.93%	1.14%	4.69%
Expenses (with waiver) (4)	n/a	0.85%	0.85%	0.85%
Net investment income (loss) (without waiver)	5.13%	5.18%	4.01%	(0.66%)
Net investment income (with waiver)	n/a	5.26%	4.30%	3.18%
Portfolio turnover rate	24.20%	29.27%	19.38%	0.00%

- (1) The net investment income per share is based on average shares outstanding for the period.
- (2) Total investment return is based on the change in net asset value of a share during the period (not annualized) and assumes reinvestment of distributions at net asset value.
- (3) The ratio information is calculated based on average daily net assets (annualized). Prior to March 31, 2009, total Fund expenses were limited to 0.85% of average daily net assets. During those periods, the investment adviser voluntarily absorbed expenses that were otherwise payable by the Fund.
- (4) In addition to fees and expenses which the Fund bears directly, the Fund indirectly bears a pro rata share of the fees and expenses of the acquired funds in which it invests. Such indirect expenses are not included in the above reported expense ratios.

## FOR MORE INFORMATION

If you have any questions about the Fund or would like more information, please contact the Fund as noted below. You may obtain a free copy of the Fund's Statement of Additional Information ("SAI") and annual or semi-annual reports on the Fund's website at [www.sitfunds.com](http://www.sitfunds.com) or by contacting the Fund as noted below.

The SAI contains more details about the Fund and their investment policies. The SAI is incorporated in this Prospectus by reference.

The annual and semi-annual reports include a discussion of the market conditions and investment strategies that significantly affected the Fund's performance during its most recent six- or 12-month periods, as applicable.

### ONLINE

[www.sitfunds.com](http://www.sitfunds.com) or via email at [info@sitinvest.com](mailto:info@sitinvest.com)

### TELEPHONE

(800) 332-5580

Investor Services Representatives are available Monday through Friday 7:30 to 5:30 p.m. Central Time.

### MAIL

Regular Mail: Sit Mutual Funds, P.O. Box 9763, Providence, RI 02940

Express Mail: Sit Mutual Funds, 101 Sabin Street, Pawtucket, RI 02860

### TO WIRE MONEY FOR A PURCHASE

PNC Bank, Pittsburgh, PA

ABA #031000053

Account #86-0690-5556

Sit Mutual Funds

For Further Credit: (shareholder name)

Account Number: (fund name and account #)

### CONTACT THE SEC

You can go to the SEC's web site at [www.sec.gov](http://www.sec.gov) to view these and other documents that Sit Mutual Funds has filed electronically with the SEC.

For a duplicating fee, copies of such information may be obtained by electronic request at the following email address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov), or by writing the Commission's Public Reference Section, Washington, D.C. 20549-1520. In addition, information about the Fund can be reviewed and copied at the Commission's Public Reference Room in Washington, D.C. Call the Commission 202-551-8090 for information.