

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 2014 Tax Year

| | Sit Minnesota Tax-Free Income Fund | Sit Tax-Free Income Fund |
|-----------------------|------------------------------------------|-----------------------------|
| % Tax-Free* | 99.51% | 98.97% |
| % Taxable* | 0.49% | 1.03% |
| % Subject to AMT** | 9.47% | 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 **ex-empt** 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 2014 are:

| | | | |
|---------------|-------|----------------|-------|
| Alabama | 0.34% | Montana | 0.79% |
| Alaska | 1.81 | Nebraska | 0 |
| Arizona | 2.86 | Nevada | 1.10 |
| Arkansas | 0.29 | New Hampshire | 1.28 |
| California | 7.86 | New Jersey | 1.53 |
| Colorado | 2.03 | New Mexico | 1.50 |
| Connecticut | 2.07 | New York | 3.96 |
| Delaware | 0.16 | North Carolina | 0.02 |
| D.C. | 0 | North Dakota | 0.34 |
| Florida | 11.57 | Ohio | 1.72 |
| Georgia | 3.30 | Oklahoma | 0.92 |
| Hawaii | 0 | Oregon | 1.40 |
| Idaho | 1.57 | Pennsylvania | 2.51 |
| Illinois | 10.12 | Rhode Island | 0.40 |
| Indiana | 3.28 | South Carolina | 0.77 |
| Iowa | 1.01 | South Dakota | 0.01 |
| Kansas | 1.36 | Tennessee | 0.11 |
| Kentucky | 0.34 | Texas | 8.34 |
| Louisiana | 1.92 | Utah | 0.86 |
| Maine | 0.97 | Vermont | 0 |
| Maryland | 1.02 | Virginia | 2.51 |
| Massachusetts | 2.31 | Washington | 2.61 |
| Michigan | 2.70 | West Virginia | 0.15 |
| Minnesota | 1.96 | Wisconsin | 2.35 |
| Mississippi | 0.35 | Wyoming | 1.41 |
| Missouri | 1.33 | Puerto Rico | 0.88 |
| | | 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 2014 is subject to the alternative minimum tax (AMT).

Sit Mutual Funds

2014 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.

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Sit Mutual Funds

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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 2014. 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% | 27.38% | 50.21% | 14.33% | 4.07% | 0.10% | 3.92% |

| | 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 | 9.41% | 5.93% | 9.00% | 0.81% | 2.89% | 28.03% | 17.38% | 44.76% | 9.83% | 71.97% |
| Quality Income Fund | 11.44% | 6.81% | 1.66% | 0.57% | 5.29% | 25.76% | 37.74% | 0% | 36.50% | 74.24% |

IRAs

Form 1099-R for Distributions

If you made a withdrawal from your IRA or converted a Traditional IRA to a Roth IRA in 2014, your Form 1099-R will be mailed separately by January 31, 2015.

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

Form 5498 for Contributions

In May 2015, we will send a Form 5498 to you showing your IRA contributions for the 2014 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, 2014). Contributions for the 2014 tax year must be made no later than April 15, 2015.

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, 2014). Contributions for the 2014 tax year must be made no later than April 15, 2015.

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 2014 tax year must be made no later than April 15, 2015.

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 | 67.73% |
| Large Cap Growth Fund | 100% |
| Dividend Growth Fund | 100% |
| International Growth Fund | 100% |
| Global 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 | 60.14% |
| Dividend Growth Fund | 99.43% |
| Large Cap Growth Fund | 100.00% |
| International Growth Fund | 0.63% |
| Global Dividend Growth Fund | 92.24% |