

Sit Minnesota Tax-Free Income Fund (SMTFX)

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Second Quarter Review - Period ended June 30, 2003

Inception 12/1/93

The Minnesota Tax Free Income Fund returned +1.4% for the quarter ended June 30, 2003, compared to a +1.8% return for the Lehman 5-Year Municipal Bond Index.

Yields remain attractive

The Fund's 30-day SEC yield was 4.72% as of June 30th and its 12-month distribution rate was 4.57%. The Fund's taxable equivalent yield of 7.88% for investors in the highest federal tax bracket compares favorably with the taxable bond market's yield levels.

Structured for higher bond yields ahead

Municipal bond yields reached record lows in mid-June, and then rose sharply, giving up approximately half the decline since the beginning of the quarter. The Fund's duration remains longer than its benchmark and has been relatively stable over the past 12 months. Issuance in Minnesota declined 20% over the first half of 2003, but additional investments in the health care (+3.0%) and industrial revenue (+1.4%) sectors helped to reduce cash during the quarter. The portfolio nonetheless remains poised to take advantage of higher reinvestment opportunities as interest rates rise. The Fund's weightings in securities rated A or better decreased by 7.8% reflecting additional purchases of lower rated, investment-grade securities as well as rating downgrades on tobacco settlement revenue bonds.

Strong returns across major sectors

The Fund benefited from strong performance in the health care sector, insured bonds and other revenue bonds, for both the quarter and year-to-date. The Fund's holdings in multifamily housing bonds also contributed positively to performance. Lagging performance in the industrial revenue sector reflected the negative impact of tobacco settlement revenue bonds which stabilized near the end of the quarter while holdings in the single family housing sector continued to lag due to their more stable price characteristics.

Improving economic conditions expected

We anticipate more rapid economic growth during the second half of this year, with continuing improvement through next year. This growth is expected to diminish concerns about possible deflation. While the Federal Reserve is not expected to raise short-term interest rates until some time in 2004, investors are likely to anticipate higher interest rates as economic growth becomes more rapid.

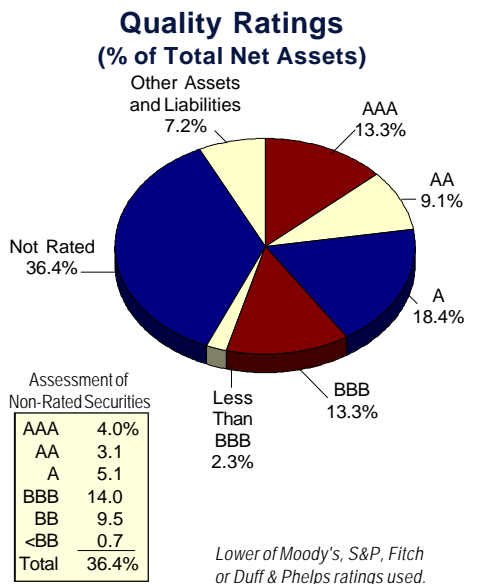
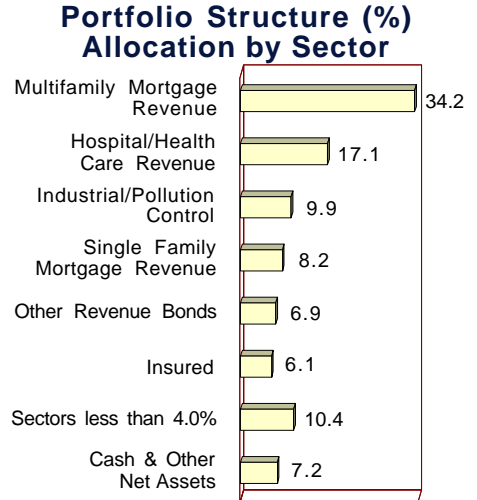
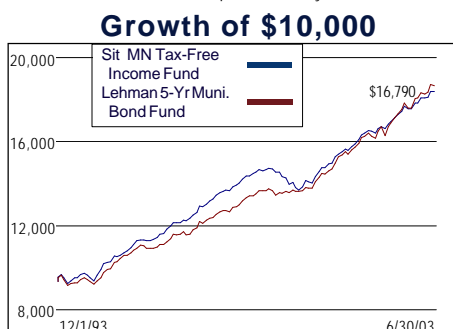
Net Asset Value 6/30/03:	\$10.25 Per Share
3/31/03:	\$10.22 Per Share
Total Net Assets:	\$216.5 Million
30-day SEC Yield:	4.72%
Tax Equivalent Yield:	7.88% ⁽¹⁾
12-Mth Distribution Rate:	4.57%
Average Maturity:	13.8 Years
Duration to Est. Avg. Life:	4.8 Years ⁽²⁾
Implied Duration:	3.8 Years ⁽²⁾

Total Returns (%)

	Sit Minnesota Tax-Free Income Fund	Lehman 5-Year Muni. Bond Index	Lipper Minnesota Municipal Bond Fund Average
Average Annual Total Returns (%)*			
3 Month**	1.43%	1.82%	2.35%
6 Month**	2.45	2.95	n/a
1 Year	6.01	7.43	7.63
3 Years	6.90	7.78	7.42
5 Years	4.55	6.05	4.88
Inception (12/1/93)	5.56	5.70	5.28
Cumulative Total Returns (%)*			
1 Year	6.01%	7.43%	7.63%
3 Years	22.16	25.21	23.94
5 Years	24.91	34.15	26.94
Inception	67.90	70.12	63.73
*As of 6/30/03. **Not annualized.			

Performance figures are historical and do not guarantee future results. Investment returns and principal value will vary, and you may have a gain or loss when you sell shares. Average annual total returns include changes in share price as well as reinvestment of all dividends and capital gains. Management fees and administrative expenses are included in the Fund's performance; however, fees and expenses are not incorporated in the Lehman 5-Year Municipal Bond Index. The Lipper averages and indices are obtained from Lipper Analytical Services, Inc., a large independent evaluator of mutual funds.

⁽¹⁾For individuals in the 35.0% federal tax and 7.85% MN tax brackets.
⁽²⁾Duration is a measure which reflects estimated price sensitivity to a given change in interest rates. For example, for an interest rate change of 1%, a portfolio with a duration of 5 years would be expected to experience a price change of 5%. Estimated average life duration is based on current interest rates and the Adviser's assumptions regarding the expected average life of individual securities held in the portfolio. Implied duration is calculated based on historical price changes of securities held by the Fund. The Adviser believes that the portfolio's implied duration is a more accurate estimate of price sensitivity provided interest rates remain within their historical range. If interest rates exceed the historical range, the estimated average life duration may be a more accurate estimate of price sensitivity.



Sit Minnesota Tax-Free Income Fund Top Five Holdings

1. Dakota Co. Hsg. & Redev. Auth. Multifamily Hsg. Rev Refunding Series 1995A ,7.90% , 1/20/31
 2. Minneapolis Multifamily Hsg. Rev. Series 1996A (Nicollet Towers)(Section 8), 6.00%, 12/01/19
 3. Minneapolis & St. Paul Hsg. & Redev. Auth. Hlth. Care System Series 1992, 6.75%, 12/1/13
 4. St. Paul Port Authority Multifamily Hsg. Refunding Senior Series 1998-1A (Jackson Towers Apts. Proj.)(GNMA collateralized), 6.95%, 4/20/33
 5. Puerto Rico Childrens Trust Fund Tobacco Settlement Rev. Series 2002, 5.375%, 5/15/33
- Total Number of Holdings: 311