

# Near-Term Tax Free Fund (NEARX)

January 2010

Symbol: NEARX CUSIP: 911476-85-1  
Inception Date: 12/4/90

## About the Fund

The Near-Term Tax Free Fund invests in municipal bonds with relatively short maturity. The fund seeks to provide tax-free monthly income and stability by investing in debt securities issued by state and local governments from across the country.

## Fund Objective

The Near-Term Tax Free fund seeks current income that is exempt from federal income tax and also seeks preservation of capital.

## Fund Strategy

Under normal market conditions, the Near-Term Tax Free Fund invests at least 80 percent of its net assets in investment grade municipal securities whose interest is free from federal income tax, including the federal alternative minimum tax. The Near-Term Tax Free Fund will maintain a weighted-average portfolio maturity of five years or less.

The fund's portfolio team applies a two-step approach in choosing investment, beginning by analyzing various macroeconomic factors in an attempt to forecast interest rate movements, and then positioning the fund's portfolio by selecting investments that it believes fit that forecast.

## Portfolio Team

**Frank Holmes**, Chief Investment Officer  
Years of Experience: 30

**John Derrick**, CFA  
Years of Experience: 14

## Potential Risk/Reward

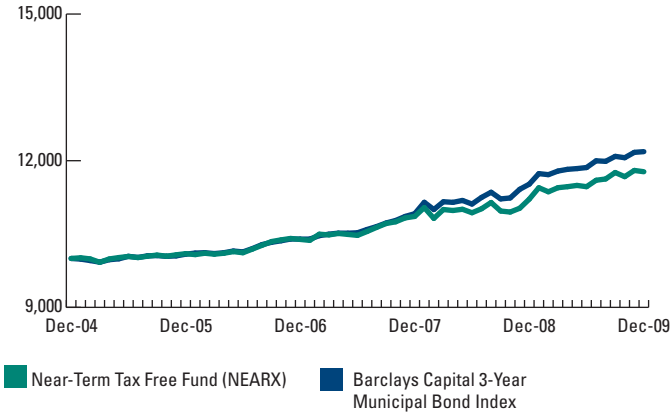
Low   High



P.O. Box 781234  
San Antonio, TX  
78278-1234  
1-800-US-FUNDS  
(1-800-873-8637)  
www.usfunds.com  
shsvc@usfunds.com

All information is unaudited and, unless otherwise indicated, is as of 01/31/10

## Growth of \$10,000 from 12/31/2004 to 12/31/2009



The chart illustrates the performance of a hypothetical \$10,000 investment made in the fund during the depicted time frame, compared to its benchmark index. Figures include reinvestment of capital gains and dividends, but the performance does not include the effect of any direct fees described in the fund's prospectus (e.g., short-term trading fees) which, if applicable, would lower your total returns.

## Portfolio Statistics

Total Net Assets	\$23.3 Million	30-day SEC Yield	1.85%
NAV	\$2.22	Tax Equivalent Yield (Based on 35% Tax Rate)	3.01%
Standard Deviation	0.78%	Lipper Category	Short/Intermediate Municipal Debt Funds
Year-to-date Distributions (\$ per share)	\$0.005		

## Average Annual Returns

	Average Annual						Expense Ratio		
	1 Month	Year to Date	1-year	3-year	5-year	10-year	Since Inception (12/4/90)	Gross	Capped
Near-Term Tax Free Fund (as of 12/31/09)	-0.23%	5.00%	5.00%	4.25%	3.32%	3.98%	4.60%	1.79%	0.45%
Barclays Capital 3-Year Municipal Bond Index <sup>1</sup> (as of 12/31/09)	0.12%	5.78%	5.78%	5.44%	4.03%	4.40%	n/a	n/a	n/a
Near-Term Tax Free Fund (as of 01/31/10)	0.68%	0.68%	3.55%	4.55%	3.43%	4.06%	4.62%	1.79%	0.45%
Barclays Capital 3-Year Municipal Bond Index <sup>1</sup> (as of 01/31/10)	0.37%	0.37%	4.23%	5.57%	4.13%	4.42%	n/a	n/a	n/a

Gross expense ratio as stated in the most recent prospectus. Capped expense ratio is a voluntary limit on total fund operating expenses (exclusive of any acquired fund fees and expenses, performance fees, taxes, brokerage commissions and interest) that U.S. Global Investors, Inc. can modify or terminate at any time. Performance data quoted above is historical. Past performance is no guarantee of future results. Results reflect the reinvestment of dividends and other earnings. Current performance may be higher or lower than the performance data quoted. The principal value and investment return of an investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. Performance does not include the effect of any direct fees described in the fund's prospectus which, if applicable, would lower your total returns. Obtain performance data current to the most recent month-end at [www.usfunds.com](http://www.usfunds.com) or 1-800-US-FUNDS.

Tax-exempt income is federal income tax free. A portion of this income may be subject to state and local income taxes, and if applicable, may subject certain investors to the Alternative Minimum Tax as well. Each tax free fund may invest up to 20% of its assets in securities that pay taxable interest. Income or fund distributions attributable to capital gains are usually subject to both state and federal income taxes. Bond funds are subject to interest-rate risk; their value declines as interest rates rise.



## Top 10 Holdings<sup>2</sup>

as a percentage of net assets

City of Chicago IL	3.25%
County of Orange FL	2.55%
Commonwealth of Puerto Rico	2.28%
State of Connecticut	2.13%
City of New York NY	1.97%
City of Detroit MI	1.87%
City of Atlanta GA	1.79%
City of San Antonio TX	1.77%
Illinois Finance Authority	1.76%
Washington Convention Center Authority	1.66%
<b>Percentage of total net assets in top 20 holdings</b>	<b>35.61%</b>
<b>Total number of holdings</b>	<b>73</b>

## Maturity

<1 Year	16%
1-3 Years	24%
3-5 Years	26%
5-10 Years	34%
10-20 Years	0%
20+ Years	0%
Average Maturity	3.59
Average Duration	3.22

## Sector Breakdown

as a percentage of total assets

General Obligation	25%
School District	15%
General Improvement	11%
Utilities	8%
Cash Equivalents	7%
Water	6%

## Fund Composition<sup>3</sup>

as a percentage of total investments

Bonds	93.02%
Cash Equivalents	6.98%

## Quality

AAA	31%
AA	38%
A	27%
BBB	2%
Other	2%

## Top 5 States

as a percentage of net assets

Texas	15.46%
Illinois	8.97%
Indiana	5.50%
Florida	5.32%
Michigan	5.22%

★★★★

## Morningstar Overall, 3-year and 5-year Ratings<sup>TM</sup>

Among 127, 127, 120 and 65 Municipal National Short-term funds, the Near-Term Tax Free Fund earned 4 stars, 4 stars, 4 stars and 3 stars for the overall, 3-, 5- and 10-year periods 12/31/09. Ratings are based on risk-adjusted return. The Overall Morningstar Rating for a fund is derived from a weighted-average of the performance figures associated with its three-, five- and ten-year (if applicable) Morningstar Rating metrics. Past performance does not guarantee future results.

**5** Lipper Leader  
Preservation

**5** Lipper Leader  
Expense

Lipper ratings for Preservation reflect funds' historical loss avoidance relative to other funds within the same asset class, as of 12/31/09. Preservation ratings are relative, rather than absolute, measures, and funds named Lipper Leaders for Preservation may still experience losses periodically; those losses may be larger for equity and mixed equity funds than for fixed income funds. Lipper ratings for Expense reflect funds' expense minimization relative to peers with similar load structures as of 12/31/09. Past performance is no guarantee of future results.

*Please consider carefully a fund's investment objectives, risks, charges and expenses. For this and other important information, obtain a fund prospectus by visiting [www.usfunds.com](http://www.usfunds.com) or by calling 1-800-US-FUNDS (1-800-873-8637). Read it carefully before investing. Distributed by U.S. Global Brokerage, Inc.*

There is no guarantee that the investment objectives will be met. <sup>1</sup>The Barclays Capital 3-Year Municipal Bond Index is a total return benchmark designed for long-term municipal assets. The index includes bonds with a minimum credit rating BAA3, are issued as part of a deal of at least \$50 million, have an amount outstanding of at least \$5 million and have a maturity of 8 to 12 years. <sup>2</sup>Portfolio holdings will change. <sup>3</sup>Fund assets can include, but are not limited to, bonds, cash, receivables, pre-paid expenses and other miscellaneous assets. Fund composition represents key components only and should not be considered a complete financial picture of a fund's assets. Standard deviation is a measure of the dispersion of a set of data from its mean. The more spread apart the data, the higher the deviation. Standard deviation is also known as historical volatility. For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating<sup>TM</sup> based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads, and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages.) The Lipper ratings are subject to change every month and are based on an equal-weighted average of percentile ranks for the Preservation and Expense metrics over three-, five-, and ten-year periods (if applicable). The highest 20% of funds in each peer group are named Lipper Leader or a score of 5, the next 20% receive a score of 4, the middle 20% are scored 3, the next 20% are scored 2, and the lowest 20% are scored 1. Near-Term Tax Free Fund, in Lipper's Short-Intermediate Municipal Debt classification, received the following ratings for the 3-, 5-, and 10-year periods, respectively: Preservation (in Fixed Income asset class): 5 (4127 funds), 5 (3625) and 5 (2421). Expense: 5 (16 funds), 5 (16 funds) and 5 (10 funds). (Lipper ratings are not intended to predict future results, and Lipper does not guarantee the accuracy of this information. More information is available at [www.lipperweb.com](http://www.lipperweb.com). Lipper Leader Copyright 2009, Reuters, All Rights Reserved. 10-75