

Tax Free Fund (USUTX)

May 2011

Symbol: USUTX CUSIP: 911476-50-5
Inception Date: 11/01/84

About the Fund

The Tax Free Fund invests in municipal bonds issued by state and local governments across the country, with the goal of consistent superior performance in the municipal arena. The Tax Free Fund invests in bonds that the portfolio management team believes will perform well in the long run, with a focus on providing a higher level of tax-free income.

Fund Objective

The 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 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 Tax Free Fund may invest in debt securities of any maturity.

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: 18

Potential Risk/Reward

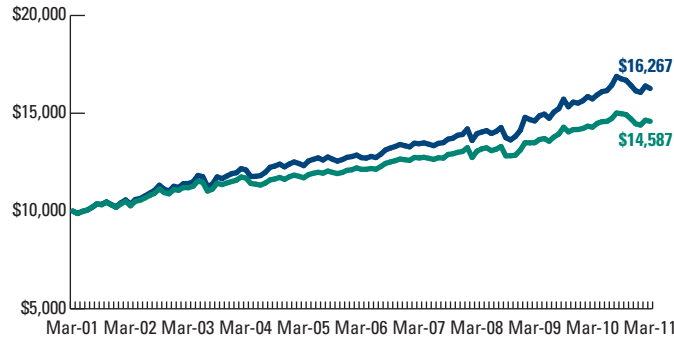
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7900 Callaghan Road
San Antonio, TX
78229-2327
1-800-US-FUNDS
(1-800-873-8637)
www.usfunds.com
shsvc@usfunds.com

All information is unaudited and, unless otherwise indicated, is as of 05/31/11.

Growth of \$10,000 from 03/31/2001 to 03/31/2011



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.

■ Tax Free Fund (USUTX) ■ Barclays Capital 10-Year Municipal Bond Index

Portfolio Statistics

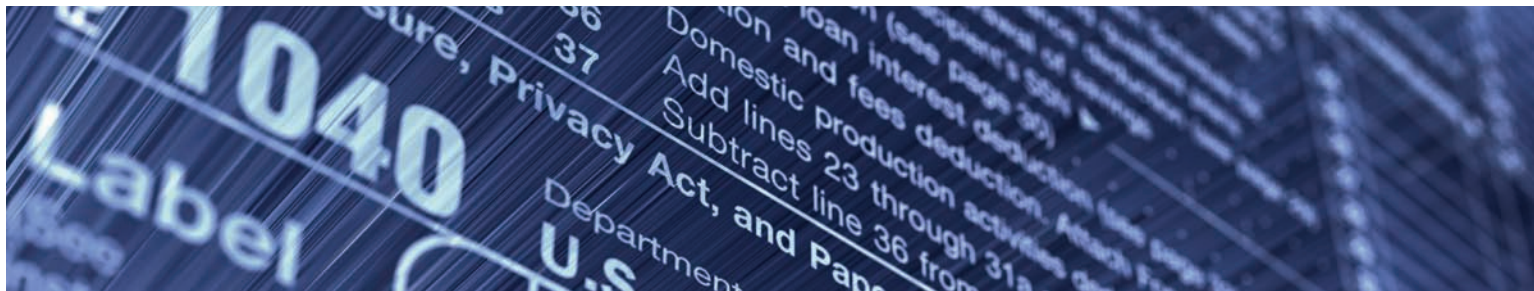
Total Net Assets	\$19.8 Million	30-day SEC Yield	2.66%
NAV	\$12.27	Tax Equivalent Yield (Based on 35% Tax Rate)	4.33%
Standard Deviation	1.44%	Lipper Category	General Municipal Debt Funds
Year-to-date Distributions (\$ per share)	\$0.193		

Average Annual Returns

	Average Annual						Expense Ratio		
	1 Month	Year to Date	1-year	3-year	5-year	10-year	Since Inception (11/1/84)	Gross	Capped
Tax Free Fund (as of 03/31/11)	-0.38%	0.90%	2.10%	3.75%	3.76%	3.85%	5.91%	1.66%	0.70%
Barclays Capital 10-Year Municipal Bond Index ¹ (as of 03/31/11)	-0.77%	0.76%	3.39%	5.24%	5.03%	4.99%	n/a	n/a	n/a
Tax Free Fund (as of 05/31/11)	1.32%	3.81%	2.99%	4.29%	4.27%	4.17%	5.98%	1.66%	0.70%
Barclays Capital 10-Year Municipal Bond Index ¹ (as of 05/31/11)	1.55%	4.52%	4.77%	6.14%	5.70%	5.39%	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. Performance quoted for periods of one year or less is cumulative and not annualized. Obtain performance data current to the most recent month-end at 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. The tax free funds may be exposed to risks related to a concentration of investments in a particular state or geographic area. These investments present risks resulting from changes in economic conditions of the region or issuer.



Top 10 Holdings²

as a percentage of net assets

California State, GO Unlimited	4.70%
Kansas State Development Finance Authority, Hospital Revenue, Series Z	3.95%
University of Kansas Hospital Authority Health Facilities Revenue	3.07%
Utah State Building Ownership Authority, Lease Revenue, Refunding, Series C	2.94%
Du Page County, Refunding, GO Unlimited	2.90%
Rhode Island State Health & Educational Building Corporation Revenue	2.71%
Forney, Texas, GO Limited	2.65%
Duncanville, Texas Independent School District, GO Unlimited, Prerefunded, Series B	2.62%
Imperial Community College District, GO Unlimited	2.58%
Atlanta Development Authority Revenue	2.56%
Percentage of total net assets in top 20 holdings	50.25%
Total number of holdings	56

Maturity

<1 Year	13 %
1-3 Years	16 %
3-5 Years	24 %
5-10 Years	38 %
10-20 Years	9 %
20+ Years	0 %
Average Maturity	5.17
Average Duration	5.20

Sector Breakdown

as a percentage of total assets

General Obligation	26%
School District	18%
Medical	16%
General	13%
Water	7%
Cash Equivalent	5%

Fund Composition³

as a percentage of total investments

Bonds	94.58%
Cash Equivalents	5.42%

Quality

AAA	29%
AA	36%
A	30%
BBB	3%
Other	2%

Top 5 States

as a percentage of net assets

Texas	16.69%
California	12.77%
Illinois	9.14%
Alabama	7.12%
Kansas	7.02%

5 Lipper Leader Tax Efficiency

Lipper ratings for Tax Efficiency reflect funds' historical success in postponing taxable distributions relative to peers as of 03/31/11. Tax Efficiency offers no benefit to investors in tax-sheltered accounts such as retirement plans. Past performance does not guarantee 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 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. ¹The Barclay 10-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. ²Portfolio holdings will change. ³Fund 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. Morningstar 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. For each fund with at least a three-year history, Morningstar calculates a Morningstar RatingTM 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 Tax Efficiency 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. Tax Free Fund, in Lipper's General Municipal Debt classification, received the following ratings for the 3-, 5-, and 10-year periods, respectively: Tax Efficiency: 5 (229 funds), 5 (201 funds) and 5 (169 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. Lipper Leader Copyright 2011, Reuters, All Rights Reserved. 11-375