U.S. Global Investors
Investor Alert

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Three Reasons to Believe in $100 Oil

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After selling off nearly 14 percent last week, oil prices finished this week slightly higher at $99.65 per barrel. While the end result was a net positive, the volatility continued. Oil prices per barrel reached $104, then fell to around $96, before nesting just below $100.

As an investor, this volatility can be difficult to handle. Throw in the uncertainty of today's geopolitical environment, and investors feel the need to downsize their positions in commodity investments, such as oil.

We think markets could remain volatile in the short-term, but here are three long-term indicators to support $100+ per barrel oil prices.

1) Long-Term U.S. Dollar Weakness

The U.S. dollar was up over 1 percent again this week and has increased nearly 4 percent since hitting a 52-week low on April 29. On a five-day rate of change, the dollar is up about 1 standard deviation.

As I said last week, this move is less about the vigor of the U.S. dollar and more about the relative weakness of the eurozone and other fledgling countries. In addition, it's likely we'll continue to see relative strength in the U.S. dollar as we get closer to the end of the Federal Reserve's QE2 program, set to wind down in June.

We think these are short-term drivers and don't accurately reflect the long-term headwinds facing the dollar. I've discussed these often and in an attempt to keep this note brief, I'll let the following picture tell the story.

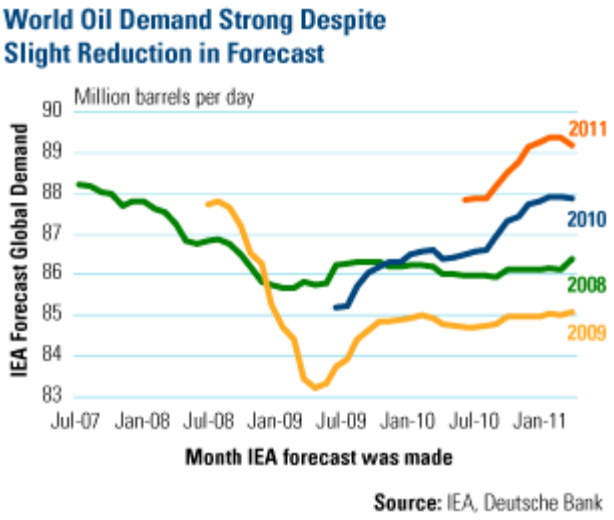
This snapshot from USdebtclock.org (taken late in the afternoon on May 13) shows the precarious fiscal and monetary situation of the U.S. As you can see, the overwhelming color is red. Even if Washington decided on a comprehensive plan to fix entitlement overspending, trim defense spending and reduce the U.S. deficit today, it would take years to see any meaningful shift in these figures.

Therefore, we feel the recent uptrend in the U.S. dollar is a short-term reprieve from a long-term downtrend.

2) Demand from Emerging Markets Outpacing Developed Market Demand

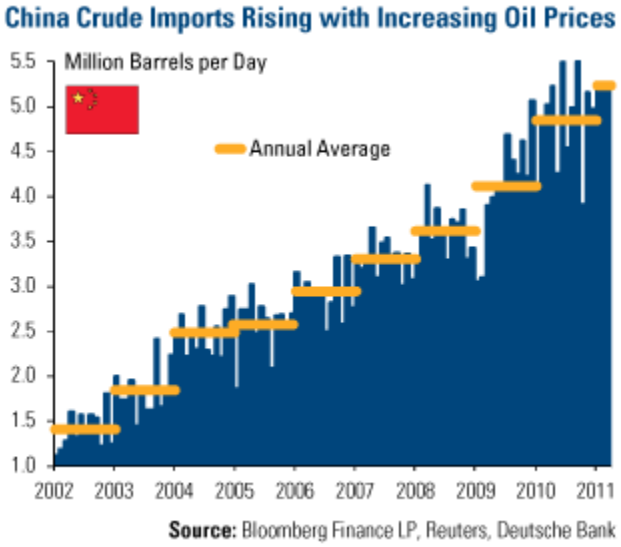
While developed world demand has struggled to retrieve its previous strength, emerging markets have captured a significant share of global demand over the past three years. Emerging market countries have narrowed the oil usage gap between developed and emerging markets from roughly 12 million barrels per day in 2007 to just 4 million barrels per day as of late 2010.

This week, the Paris-based International Energy Agency (IEA) and the U.S. Department of Energy both communicated softness in global oil demand. The IEA noted that preliminary March data shows the first “marked slowdown” in annual growth for the first time since 2009. The IEA is forecasting growth of 1.3 million barrels per day in demand for crude oil in 2011, down from 2.8 million barrels per day in 2010.



This represents a significant slowdown in year-over-year growth and added to negative sentiment around oil this week, but it's important to put things into context. You can see from the chart that global oil demand grew at an incredible pace in 2010. The 1.3 million barrels of demand growth that is expected for 2011 is less than last year, but is more along the lines with historical rates and maintains the forward momentum for rising oil demand.

Emerging markets, driven by China, are the main source of the increase in demand. You can see from this next chart how China's demand for crude oil imports has grown over the past decade or so. China imported an average of just under 1.4 million barrels a day of oil in 2002 when prices were hovering around $20 per barrel.



In the years since, China's crude oil imports have increased more than 260 percent despite per barrel oil prices jumping nearly four-fold. This is indicative of the insatiable demand that emerging markets have for oil.

3) Majority of Global Oil Reserves Located in Geopolitically Unstable Regions

In the April 11 update "Why High Oil Prices Are Likely Here to Stay," we highlighted how a large portion of the world's proven oil reserves and production comes from unstable countries and regions, including Nigeria, Venezuela, Iraq, Iran and Libya. According to some estimates, as much as 80 percent of the world's oil reserves lie beneath these shaky regions.

Civil wars and attacks on oil facilities can create production slowdowns or even shut down production entirely. The conflict in Libya and unrest in several other Middle East countries shows just how quickly this can affect global oil markets. Iraq is another example of the difficulties inherent in production expansion in these regions. Last week, the country's former oil minister said it would only be able to meet half of its stated production goal by

2017. The original forecast, clearly a lofty one, called for roughly 12 million barrels per day in oil production.

Over the years, the proximity of oil reserves to unrest has led to a reduction in global spare capacity or the excess amount of oil that can be produced, if desired, to meet demand. When the turmoil broke out in Libya, the general consensus was that Saudi Arabia's spare capacity would be more than enough to meet market demand. That hasn't been the case as Saudi Arabia has moved to calm its own population to prevent unrest.

The result is little wiggle room to meet demand should we experience a boom in demand or an event disrupting production. In general, these supply/demand dynamics support historically high prices.

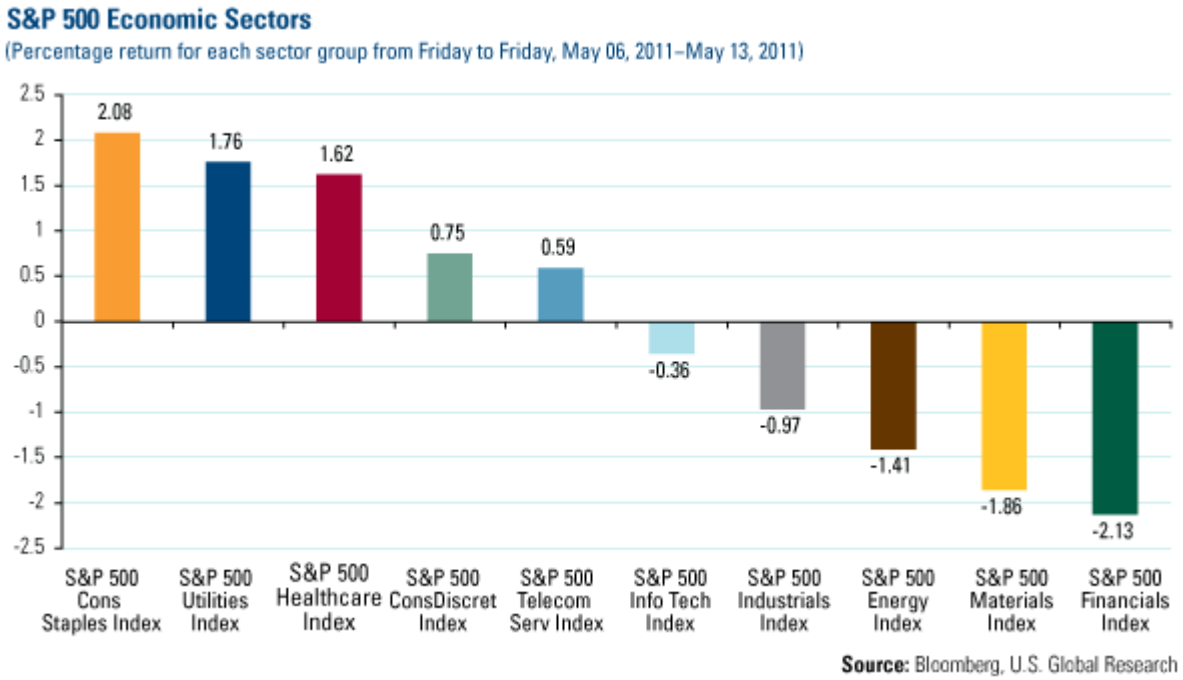
Index Summary

- The major market indices were mixed this week. The Dow Jones Industrial Index lost 0.34 percent. The S&P 500 Stock Index declined 0.18 percent, while the Nasdaq Composite Index rose 0.03 percent.
- Barra Value underperformed Barra Growth as Barra Value finished 0.60 percent lower while Barra Growth increased 0.23 percent. The Russell 2000 closed the week with a gain of 0.28 percent.
- The Hang Seng Composite Index finished higher by 0.64 percent; Taiwan gained 0.33 percent, and the KOSPI declined 1.27 percent.
- The 10-year Treasury bond yield closed 2 basis points higher at 3.17 percent.

Domestic Equity Market

The figure below shows the performance of each sector in the S&P 500 Index for the week. Five sectors gained and five sectors declined. The best-performing sector for the week was consumer staples which rose 2.08 percent. The other top sectors were utilities and healthcare. Financials was the worst performer, down 2.13 percent. Other bottom- performers were materials and energy.

Within the consumer staples sector, the best-performing stock was Dean Foods, which rose 22 percent. Other top-five performers were Sysco Corp, Dr. Pepper Snapple Group, Walgreen Co. and Coca-Cola Enterprises.



Strengths

- The food distributors group was the best-performing group for the week, up 11 percent. The group's only member, Sysco Corp., reported quarterly earnings and revenue above the consensus estimates. The company was apparently able to pass along cost increases easier than in the prior quarter.
- The home entertainment software group gained 9 percent on the strength of its single member, Electronic Arts Inc. U.S. video game industry retail sales for April, as reported by NPD Group, were up 24 percent on a year-over-year basis.
- The commercial printing group rose 6 percent. Its single member, RR Donnelley & Sons, entered into an accelerated share repurchase agreement with an agent bank under which it repurchased an initial amount of 19.9 million shares of its stock. In the prior week, the company authorized a $1.0 billion share repurchase program.

Weaknesses

- The specialized consumer services group was the worst performer, losing 8 percent. The group's only member, H&R Block Inc., sold off after a press report said that a group of mortgage bond investors are banding together to force H&R Block's subprime lending unit to buy back billions of dollars in mortgage bonds.
- The other diversified financial services group lost 5 percent on weakness by all three of its members: Citigroup, JPMorgan Chase and Bank of America.
- The investment banking & brokerage group lost 5 percent. The stock of its largest member, Goldman Sachs Group, was down on investor concerns that the bank might still face charges from the U.S. Department of Justice over some of its transactions during the financial crisis.

Opportunities

- There may be an opportunity for gain in merger & acquisition (M&A) transactions in 2011. Corporate liquidity is high, thereby providing the means to pursue acquisitions.

Threats

- Should investors' expectations for an improving economy not come to fruition on a reasonable time frame, it could be a threat to stock prices.

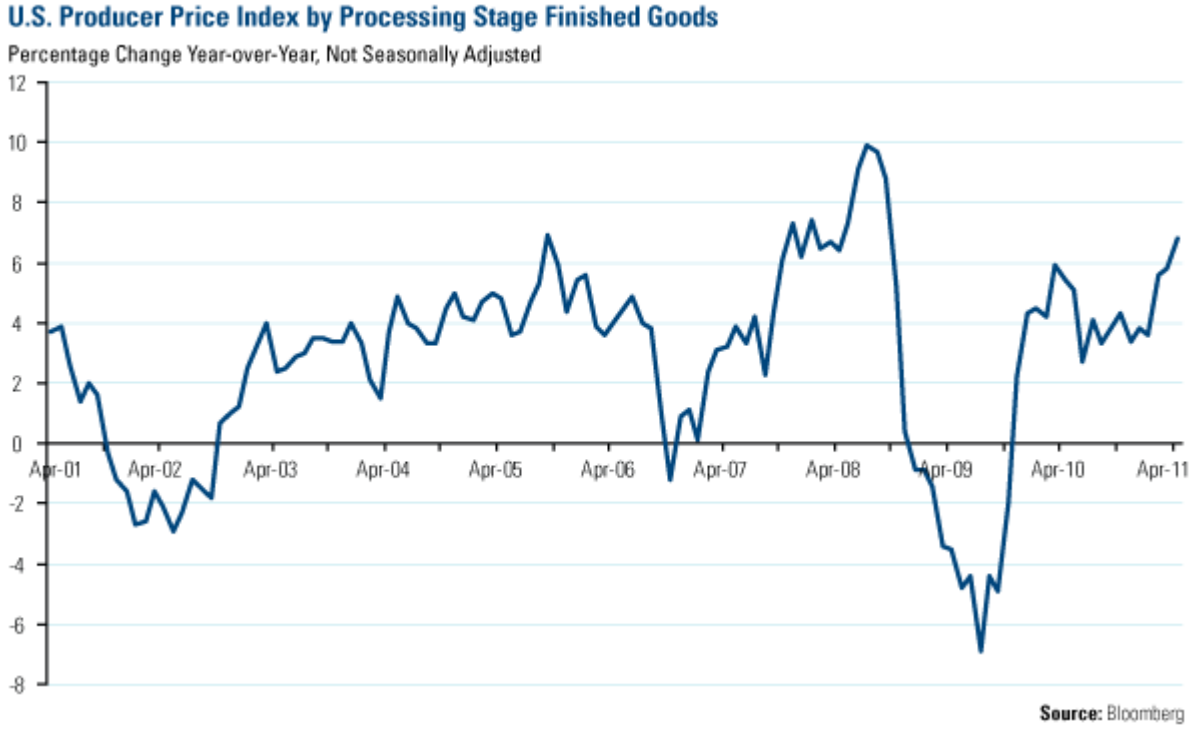
- The end of quantitative easing currently scheduled by the Federal Reserve for the end of June might result in a weaker economy.
- The nuclear disaster in Japan creates uncertainly, which is not good for stock prices.

U.S. Government Securities Savings Fund - UGSXX • U.S. Treasury Securities Cash Fund - USTXX
Near-Term Tax Free Fund - NEARX • Tax Free Fund - USUTX

The Economy and Bond Market

The yield on the 10-year U.S.Treasury note was relatively unchanged this week, closing Friday at 3.17 percent, up two basis points for the week.

The chart below depicts year-over-year price changes on a percentage basis for the U.S Producer Price Index (PPI). The data for April 2011 shows a 6.8 percent increase as compared to the 6.5 percent forecast. The increase was driven largely by increases in food and energy. Excluding food and energy the core index rose 2.1 percent on a year-over year basis, matching the consensus forecast. As the chart shows, the index has been increasing over the past three months.



Strengths

- Retail sales in April rose 0.5 percent after a 0.9 percent gain in March. The March gain was revised up from a prior 0.4 percent gain. The April gain was slightly below the 0.6 percent consensus. April retail sales, excluding autos & gasoline, rose 0.2 percent. This is below the 0.5 percent consensus estimate.
- Initial jobless claims fell 44,000 in the week ended May 7 to 434,000 from a revised 478,000 the prior

week, slightly less than the 430,000 forecast.

- Preliminary data from The University of Michigan Consumer Sentiment Index for May rose to 72.4, a three-month high. This is up from 69.8 in April and above the 70.0 consensus.
- The Mortgage Bankers Association's Index of Mortgage Applications increased 8.2 percent in the week ended May 6, the highest level in more than a month. The group's refinancing gauge advanced 9 percent and its purchase index rose 6.7 percent.

Weaknesses

- PPI increased 0.8 percent in April, above the 0.6 percent forecast and above the 0.7 percent gain in March. The index increased 6.8 percent year-over-year, above the 6.5 percent forecast. The core figure excluding food and energy gained 2.1 percent year-over-year, matching the consensus.
- Prices of imported goods into the U.S. rose 2.2 percent in April from March levels, above the consensus forecast of 1.8 percent. Year-over-year import prices rose11.1 percent, the biggest 12-month gain in a year.
- The Bloomberg Consumer Comfort Index decreased to minus 46.9 for the week ending May 8, from minus 46.2 the prior week. This is the lowest figure since the week of March 27.

Opportunities

- In an interesting twist, higher oil prices may actually act as a deflationary force if it materially slows global economic growth.

Threats

- Budget cuts and austerity measures in Europe and the U.S. are necessary "evils" but will likely be a considerable drag on global growth.

Gold Market

On Friday, spot gold closed at $1,493.22, up $2.38 per ounce, or 0.16 percent for the week. Gold equities, as measured by the Philadelphia Gold & Silver Index, fell 3.43 percent. The U.S. Trade-Weighted Dollar Index strengthened 1.27 percent for the week.

Strengths

- CPM Group noted China's importance not only as the world's third largest silver miner but also as a major global silver consumer. While Chinese silver mine supply accounted for roughly 16 percent of global silver mine production last year, CPM Group indicated the country was also a major manufacturer of many silver containing products. And CPM found domestic demand for silver has outpaced supply growth. "China was a net exporter of silver until 2006, but became a net importer since 2007."
- A new PricewaterhouseCoopers (PwC) report, "Seize the Day-The Mining Industry in British Columbia (BC) 2010", found BC mining companies turned in near-record results for revenues, net income and cash flows last year. "The 2010 financial performance of the BC mining sector was outstanding, driven by strong coal and metals prices and a lot of hard-working people in the industry," said Michael Cinnamond,

leader of PwC's BC mining practice. The PwC report shows that just about every aspect of the BC mining sector has done better than expected and many of the positive trends we saw last year have continued into the first quarter of 2011.

- The slump in silver prices has raised demand for silver in India, where companies are handing out silver coins as part of employee bonus packages and jewelry stores promote silver as an affordable alternative to gold.

Weaknesses

- With gold prices up significantly, gold majors are looking for acquisitions to significantly boost their ounces of reserves but are finding the affordable pickings slim and competition fierce. Soaring gold prices have put company valuations at record levels, making deals, especially those in the multimillion-ounce club, very costly endeavors.

- Dundee Securities mining analyst Paul Burchell said: “It’s getting more and more difficult for these larger companies to add new projects that are significant. It doesn't mean that there aren’t valid projects out there. It’s just that there’s a lot of competition for the few of them that are there.” Also Morningstar analyst Ming Tang Varner noted “I think companies are very cautious when they are looking at properties because it’s a very delicate dance that these gold companies are doing.”

- In hindsight, overzealous acquisitions have been a tremendous challenge for management to retain a high level of credibility with investors.

Opportunities

- The Canadian province of Quebec plans to develop its huge frozen northern reaches into a powerhouse of mining and renewable energy, targeting $83 billion of private and public investment. Quebec's 25-year “Plan Nord,” launched on Monday, envisages funding for infrastructure, mines and the development of renewable energy, taking advantage of an improving investment climate as the Earth warms and polar ice melts. Plan Nord covers an area roughly the size of South Africa.

- The sparsely populated region of Quebec has 11 mining projects in development now and over $8 billion (in Canadian dollars) in mining investment. The province, which topped a Fraser Institute survey of best mining districts from 2007 to 2009, slipped to third after it raised mining taxes unexpectedly last spring. It is now in fourth place on uncertainty over mining legislation.

- UBS restated their outlook on gold by saying, “Our average gold price for the course of this year is $1,500, so it is just a tiny bit below where gold is trading right now, so I think a gold price above $1,600 this year is very, very possible.” Edel Tully, UBS precious metals analyst, said one of the main reasons for this is the slate of continued macroeconomic concerns facing countries around the globe. Inflation concerns in China, which Tully acknowledges is a very important market for gold, have further boosted demand for the metal. “Whenever I go to China, the actual view on inflation appears to be much higher on the ground than what the official statistics would reveal. So, I think the Chinese population will remain friendly toward gold so long, really, as inflation is a problem.”

Threats

- The South African mining industry is facing “a very serious” threat from silicosis claims that could result in implied damages of $100 billion, says RBC Capital Markets equity research unit. The potential silicosis claim is 100 times larger than the claims in an asbestos-related case in 2003 which saw British company Cape paying $5 million to 7,500 workers. Former South African mining company Gencor is establishing a $37.5 million trust fund for its former workers. “The risk of this becoming something very serious should not be ignored,” the analysts said. They added that the risk applies mainly to South Africa’s hard-rock gold and platinum mines.

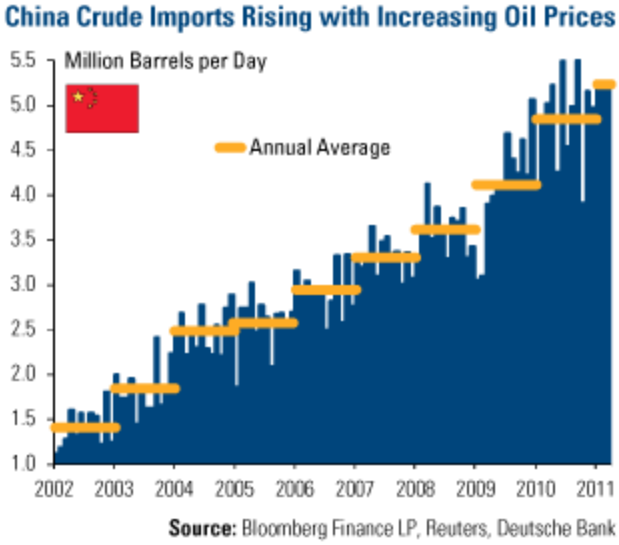
- China, the world’s largest user of natural resources, is pulling back from commodities and energy acquisitions as the rest of the world pursues deals at the fastest pace since the start of the financial crisis. China’s companies have spent $14.2 billion on acquisitions this year, down 30 percent from the same period last year, according to data compiled by Bloomberg. Globally, the value of takeovers in the industry

is $176 billion, the fastest pace since 2007.

- “Indonesia’s mining industry is undergoing a regulatory overhaul that is likely to weaken the operating and financial performance of domestic mining companies,” Standard & Poor's warned this week. “For example, the provision on domestic market obligations for coal could increase the price of coal and pressure the financial performance of coal-based electricity generators across Asia,” the analysts suggested. “Likewise a ban of metal and mineral ore exports could also affect the operations of foreign smelters that rely on ores from Indonesia.”

Global Resources Fund - PSPFX • Global MegaTrends Fund - MEGAX

Energy and Natural Resources Market



Strengths

- Coal prices at Richards Bay Coal Terminal rose to the highest level in almost a month, gaining 0.3 percent to $123.93 a ton last week. The price climbed 45 percent in April from a year earlier and 1.6 percent from March.
- China released its oil trade data this week that implied total oil demand growth for the month of April was up a robust 12 percent year-over-year. China’s crude oil imports increased 1.8 percent year-over-year to 5.26 million barrels per day.
- In Indonesia, tin surveyed for export prior to shipment increased by 23 percent year-over-year to 9,708 tons in April, the highest monthly total recorded in the last two years. It’s the highest figure for April since the export licensing system was first introduced in 2007.
- China Iron and Steel Association said this week that China’s daily crude steel output reached 1.93 million tons in April, up 1 percent month-over-month.

Weaknesses

- Coal sales at South Gobi are being threatened by supply side disruptions as the Russian suppliers, from whom Gobi had been buying its diesel needs, are facing shortages.
- Even after constant tightening efforts by the Chinese government, the statistics bureau reported China's consumer prices rising 5.3 percent on a year-over-year basis in April. This would exceed the government's full-year target of 4 percent. The gain was more than consensus estimate of 5.2 percent and producer prices increased 6.8 percent.
- Turkey's chrome ore exports fell by 13 percent month-over-month and 53 percent year-over-year in April 2011. The main driver was lower shipments to China, which saw a 37 percent decrease from April 2010.
- Imports of unwrought copper and products fell by 14 percent on a month-over-month basis and 40 percent year-over-year basis to 263 kilotons, according to Chinese import data reported this week. The General Administration of Customs reported inbound movements of copper and products down to 262,676 metric tons from 304,299 metric tons in March.
- The U.S. gasoline demand for May was extremely weak, running lower year-over-year by 391 thousand barrels per day. Total U.S. oil demand was lower on a year-over-year basis by a massive 663,000 barrels per day.

Opportunities

- According to the Ministry of Industry and Information Technology, China plans to cut 291,000 metric tons of so-called outdated capacity for copper, close 600,000 tons of outdated aluminium capacity, 585,000 tons of lead-making capacity, and 337,000 tons of zinc production capacity this year.
- The Japanese government reported a likely dip in Japan's crude steel output in April through June despite the impact of the March earthquake, as higher demand for construction steel will be partially offset by a plunge in demand from the auto sector.
- At least 11 Chinese provinces are now facing varying degrees of power shortages. This year, power tightness has come well ahead of the usual summer months in July and August.
- German Chancellor Angela Merkel recently said that Germany will end its reliance on nuclear energy. She said the only question was how long an overlap will be needed before other power sources can fill the gap. Over 22 percent of Germany's electricity needs are supplied by nuclear energy, 42 percent by coal, 13.6 percent by natural gas and 16.5 percent by renewables.
- Brazil may become a net importer of aluminum in 2012 as supply lags behind demand fueled by the hosting of the World Cup and the Olympic Games. The country will most likely import 50,000 metric tons of aluminum next year in net terms. Based on that estimate, shipments will rise to 350,000 tons in 2015.

Threats

- Standard and Poor's warned this week that "Indonesia's mining industry is undergoing a regulatory overhaul that is likely to weaken the operating and financial performance of domestic mining companies." S&P highlighted that existing producers are "grandfathered" but the agency remains concerned that new supplies will be impacted.
- The Chinese economic data for April showed signs of slowing momentum, with industrial production at 13.4 percent year-over-year from 14.8 percent year-over-year in March. New loan growth was down 5 percent year-over-year to RMB 740 billion. Power generation was weaker, slowing to 10.5 percent year-over-year, largely due to a sharp year-over-year slowdown in hydro generation, which was up only 1.2 percent.
- Executives from five of the largest oil companies faced questions about tax deductions in U.S. Senate hearings this week.

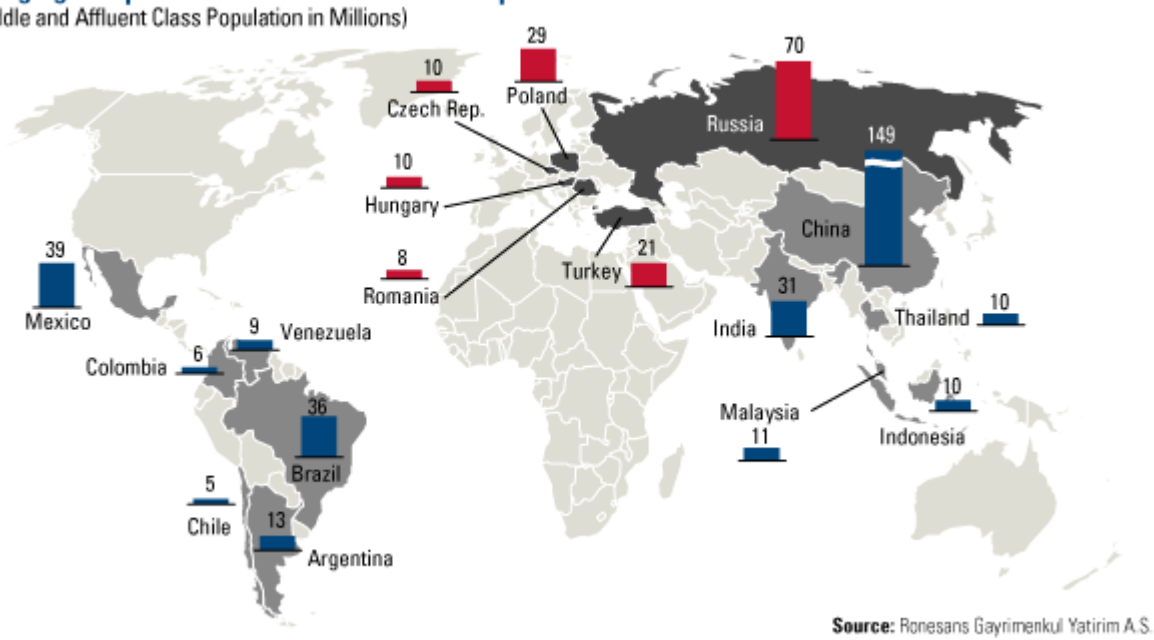
China Region Fund - USCOX • Eastern European Fund - EUROX
Global Emerging Markets Fund - GEMFX

Emerging Markets

Strengths

- In spite of political uncertainty in Peru, Credicorp reported solid first quarter results with net income rising 40 percent year-over-year, well ahead of consensus estimates. However, the bank cautioned that its future performance will be linked to economic stability in the country that, in a large measure, will depend on the outcome of the forthcoming election on June 5.
- Mexican-listed airport groups have reported satisfactory traffic data for April: ASUR led with a 4.8 percent increase, while GAP/OMA registered a 1 percent rise in the number of passengers.
- The 2009 combined middle and affluent (MA) class population of Emerging Europe was equal that of China. Russia has the second largest MA emerging market population, and Poland's rivals that of India. At $17,856, Turkey has the second highest MA class GDP per capita in emerging markets.

Emerging Europe's Middle and Affluent Class Equal to That of China
(Middle and Affluent Class Population in Millions)



Source: Ronesans Gayrimenkul Yatirim A.S.

- Taiwan's April exports rose 24.6 percent, driven by information and communication products, minerals, and machineries.
- National Bureau of Statistics of China shows real estate investments reached RMB 1.3 trillion for the first four months of this year, up 34.3 percent from the same period last year. New project starts were up 24.4 percent year-over-year; sales were up 13.3 percent to RMB 1.4 trillion.
- Korean central bank freezes benchmark interest rate at 3 percent, after inflation in April declines to 4.2 percent from 4.7 percent in March, indicating a direction that inflation might start to peak. Also,

Indonesia froze its benchmark rate at 6.75 percent in the week after its inflation was stabilizing at around 6.5 percent. If this is a trend, emerging Asia countries might be successful at curbing inflation.

- China International Capital Corp (CICC) says China's Internet revenue will grow to RMB 1.5 trillion by 2013, which equates to a compound annual growth rate of 40 percent and 6.5 percent of total retail in the country. Sina, in its first quarter earning release, said its Weibo membership has grown to 140 million registered users, adding 40 million since February. CICC also believes the growth in Internet users will drive Internet infrastructure investment. It is estimated that China has 450 million active internet users, the largest in the world.
- In April, China has achieved its targeted money growth rate of 15 percent, i.e., M2 money supply is at 15.2 percent. If maintained, China might be able to manage a soft landing for its high flying GDP growth.
- China's macroeconomic numbers also show robust consumer spending with retail sales growing 17.1 percent in April.
- Investment momentum remains high in China. Urban fixed-asset investment growth surprised the market on the upside by strengthening to 25.4 percent.
- China's April exports grew 29.9 percent, which is a desirable growth given the RMB appreciation pressure and cost increases for Chinese manufacturers.
- Power generation in China was up 11.7 percent in April, but it still faces power shortage across the country.

Weaknesses

- Since 2004, public sector wages grew faster than wages in the private sector in Poland. Higher wages, combined with better social benefits and stable employment, lead many Poles to cast a wary eye toward privatization plans. Powerful unions were recently able to block initial public offering (IPO) plans.
- China's consumer price index was 5.3 percent in April, slightly lower than 5.4 percent in March. Although the number is still above the government's desired target of 5 percent for the year, a key component of the index, food, has declined 0.4 percent from March, indicating the government measures on price control have worked.
- Industrial production growth in China slowed to 13.4 percent year-over-year in April, compared to 14.8 percent in March, caused by government tightening of the housing market and inflation control.
- Auto sales in April fell 0.25 percent year-over-year in China, indicating a spillover effect from the government's tightening on the housing market.
- China has just increased the reserve replacement ratio (RRR) another 50 basis points, reaching 21 percent for the large banks. Considering the fact that deposit growth year-to-date in China was 17 percent, the impact on the banks' loan book is minimal.
- Chinese high speed rails are having a negative impact on airline traffic, particularly in the mid-to-short distance travel. According to the China Ministry of Railways, it takes four hours by high speed train from Wuhan to Guangzhou, while it takes three hours by airplane, including time spent traveling to the airport or train station and check-in.

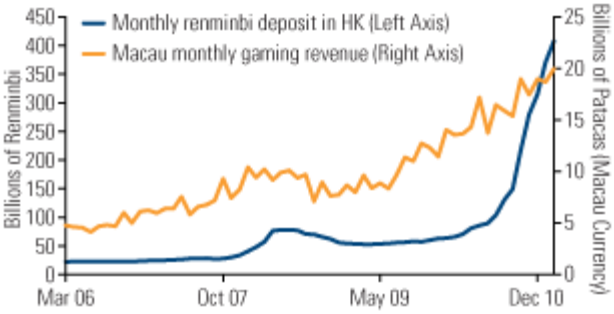
Opportunities

- The number of listed airlines in Latin America increased this week with a successful IPO of Avianca from

Colombia – the stock gained 18 percent on the first day of trading.

- There are indications that Mexico and Panama might be considering joining a combined equities platform (MILA) that will also include Chile, Colombia and Peru.
- Falabella, the Chilean retailer, has received a license to start banking services in Colombia.
- According to Metal Bulletin, Russian producers are looking for a $10 to 20 per ton increase in hot rolled coil export prices in June, which could signal some improvement in demand on the export markets. This could help maintain stable prices on the domestic market, while any signs of recovery in construction demand in Russia would be quite supportive for Russian steel companies.
- Deutsch Bank China Economist Ma Jun recently boosted his forecast of RMB deposits in Hong Kong to 2 trillion by the end of 2012, driven by rapidly rising trade settlement between China mainland and Hong Kong. RMB deposits soared to 407 billion in February 2011, six times the amount in the same period last year. Among the many opportunities arising from this growth is that Macau casino business will be the low hanging fruit for investors since it benefits directly from the RMB out-flows. The chart shows the correlation between RMB deposit in Hong Kong and Macau gaming revenue.

Macau Casinos Should Continue to Benefit from Rising Renminbi Flows out of China



Source: CEIC, CLSA Asia-Pacific Markets

Threats

- A recent correction in commodities prices may be a headwind for resource dependent countries in Latin America, notably Brazil, Chile and Peru.
- A company press release by Magyar Telekom announced that the regulator in Hungary has obliged the operator to provide access to its passive network infrastructures, including ducts, poles, dark fiber, copper and optical local loops. It remains to be seen who will take advantage of this regulation to take share away from Magyar.
- April's macro economic numbers show that the growth of the Chinese economy is slowing due to China's monetary tightening. The market believes China will have one more interest rate hike in second quarter, and several RRR increases until inflation concerns subside. While the market is broadly predicting a soft landing in China, investors have yet to commit their money in the market, as shown by Hong Kong lower daily trading volume.

Leaders and Laggards

The tables show the performance of major equity and commodity market benchmarks of our family of funds.

Weekly Performance

	Weekly	Weekly

Index	Close	Change ($)	Change (%)
Natural Gas Futures	4.25	+0.02	+0.43%
Gold Futures	1,494.70	+3.10	+0.21%
DJIA	12,595.75	-42.99	-0.34%
Russell 2000	835.67	+2.33	+0.28%
S&P BARRA Value	625.44	-3.80	-0.60%
S&P 500	1,337.77	-2.43	-0.18%
S&P Energy	548.64	-7.82	-1.41%
Nasdaq	2,828.47	+0.91	+0.03%
S&P BARRA Growth	703.77	+1.60	+0.23%
Oil Futures	99.39	+2.21	+2.27%
S&P Basic Materials	240.32	-4.56	-1.86%
Korean KOSPI Index	2,120.08	-27.37	-1.27%
XAU	195.26	-6.93	-3.43%
S&P/TSX Canadian Gold Index	362.70	-11.76	-3.14%
Hang Seng Composite Index	3,308.99	+21.05	+0.64%
10-Yr Treasury Bond	3.17	+0.02	+0.73%

Monthly Performance

Index	Close	Monthly Change ($)	Monthly Change (%)
Gold Futures	1,494.70	+39.10	+2.69%
Oil Futures	99.39	-7.72	-7.21%
Natural Gas Futures	4.25	+0.11	+2.70%
Korean KOSPI Index	2,120.08	-1.84	-0.09%
DJIA	12,595.75	+324.76	+2.65%
Nasdaq	2,828.47	+66.95	+2.42%
XAU	195.26	-21.41	-9.88%
S&P BARRA Growth	703.77	+19.77	+2.89%
Russell 2000	835.67	+11.75	+1.43%
S&P/TSX Canadian Gold Index	362.70	-36.89	-9.23%
S&P 500	1,337.77	+23.36	+1.78%
S&P Basic Materials	240.32	-2.41	-0.99%
S&P BARRA Value	625.44	+3.98	+0.64%
S&P Energy	548.64	-15.83	-2.80%
10-Yr Treasury Bond	3.17	-0.29	-8.35%
Hang Seng Composite Index	3,308.99	-332.01	-14.83%

Quarterly Performance

Index	Close	Quarterly Change ($)	Quarterly Change (%)
Oil Futures	99.39	+12.66	+14.60%
Gold Futures	1,494.70	+130.80	+9.59%
S&P Energy	548.64	-2.64	-0.48%
XAU	195.26	-9.23	-4.51%
S&P/TSX Canadian Gold Index	362.70	-25.06	-6.46%
Russell 2000	835.67	+22.97	+2.83%
Natural Gas Futures	4.25	+0.27	+6.70%
DJIA	12,595.75	+366.46	+3.00%

S&P Basic Materials	**240.32**	**-6.37**	**-2.58%**
S&P BARRA Growth	**703.77**	**+15.35**	**+2.23%**
S&P 500	**1,337.77**	**+15.90**	**+1.20%**
S&P BARRA Value	**625.44**	**+0.98**	**+0.16%**
Nasdaq	**2,828.47**	**+38.02**	**+1.36%**
Korean KOSPI Index	**2,120.08**	**+111.58**	**+5.56%**
Hang Seng Composite Index	**3,308.99**	**+144.00**	**+4.55%**
10-Yr Treasury Bond	**3.17**	**-0.53**	**-14.25%**

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.

An investment in a money market fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the fund.

All opinions expressed and data provided are subject to change without notice. Some of these opinions may not be appropriate to every investor.

Foreign and emerging market investing involves special risks such as currency fluctuation and less public disclosure, as well as economic and political risk. By investing in a specific geographic region, a regional fund's returns and share price may be more volatile than those of a less concentrated portfolio.

The Eastern European Fund invests more than 25 percent of its investments in companies principally engaged in the oil & gas or banking industries. The risk of concentrating investments in this group of industries will make the fund more susceptible to risk in these industries than funds which do not concentrate their investments in an industry and may make the fund's performance more volatile.

Because the Global Resources Fund concentrates its investments in a specific industry, the fund may be subject to greater risks and fluctuations than a portfolio representing a broader range of industries.

Gold, precious metals, and precious minerals funds may be susceptible to adverse economic, political or regulatory developments due to concentrating in a single theme. The prices of gold, precious metals, and precious minerals are subject to substantial price fluctuations over short periods of time and may be affected by unpredicted international monetary and political policies. We suggest investing no more than 5 percent to 10 percent of your portfolio in these sectors. Investing in real estate securities involves risks including the potential loss of principal resulting from changes in property value, interest rates, taxes and changes in regulatory requirements.

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 percent 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.

Past performance does not guarantee future results.

These market comments were compiled using Bloomberg and Reuters financial news.

Holdings as a percentage of net assets as of 3/31/2011:
Dean Foods: 0.00%
Sysco: 0.00%
Dr Pepper Snapple Group Inc.: All American Equity Fund 0.98%
Walgreen Co.: 0.00%
Coca-Cola Enterprises Inc.: All American Equity Fund 1.08%
Electronic Arts Inc.: 0.00%
NPD Group: 0.00%
RR Donnelley & Sons Co.: 0.00%
H&R Block: 0.00%
Citigroup: 0.00%
JPMorgan Chase: All American Equity Fund 0.97%, Holmes Growth Fund 1.67%
Bank of America: All American Equity Fund 2.03%, Holmes Growth Fund 2.08%
Goldman Sachs: 0.00%
Cape: 0.00%
Gencor: 0.00%
Credicorp: Global Emerging Markets Fund 1.65%
ASUR: 0.00%
GAP: 0.00%

OMA: 0.00%
Sina: 0.00%
Falabella: Global Emerging Markets Fund 2.00%
Magyar Telekom: 0.00%
China International Capital Corp: 0.00%

*The above-mentioned indices are not total returns. These returns reflect simple appreciation only and do not reflect dividend reinvestment.

The Dow Jones Industrial Average is a price-weighted average of 30 blue chip stocks that are generally leaders in their industry.
The S&P 500 Stock Index is a widely recognized capitalization-weighted index of 500 common stock prices in U.S. companies.
The Nasdaq Composite Index is a capitalization-weighted index of all Nasdaq National Market and SmallCap stocks.
The S&P BARRA Growth Index is a capitalization-weighted index of all stocks in the S&P 500 that have high price-to-book ratios.
The S&P BARRA Value Index is a capitalization-weighted index of all stocks in the S&P 500 that have low price-to-book ratios.
The Russell 2000 Index® is a U.S. equity index measuring the performance of the 2,000 smallest companies in the Russell 3000®, a widely recognized small-cap index.
The Hang Seng Composite Index is a market capitalization-weighted index that comprises the top 200 companies listed on Stock Exchange of Hong Kong, based on average market cap for the 12 months.
The Taiwan Stock Exchange Index is a capitalization-weighted index of all listed common shares traded on the Taiwan Stock Exchange.
The Korea Stock Price Index is a capitalization-weighted index of all common shares and preferred shares on the Korean Stock Exchanges.
The Philadelphia Stock Exchange Gold and Silver Index (XAU) is a capitalization-weighted index that includes the leading companies involved in the mining of gold and silver.
The U.S. Trade Weighted Dollar Index provides a general indication of the international value of the U.S. dollar.
The MSCI Russia Index is a free-float weighted equity index developed in 1994 to track major equities traded in the Russian market.
The S&P/TSX Canadian Gold Capped Sector Index is a modified capitalization-weighted index, whose equity weights are capped 25 percent and index constituents are derived from a subset stock pool of S&P/TSX Composite Index stocks.
The S&P 500 Energy Index is a capitalization-weighted index that tracks the companies in the energy sector as a subset of the S&P 500.
The S&P 500 Materials Index is a capitalization-weighted index that tracks the companies in the material sector as a subset of the S&P 500.
The S&P 500 Financials Index is a capitalization-weighted index. The index was developed with a base level of 10 for the 1941-43 base period.
The S&P 500 Industrials Index is a Materials Index is a capitalization-weighted index that tracks the companies in the industrial sector as a subset of the S&P 500.
The S&P 500 Consumer Discretionary Index is a capitalization-weighted index that tracks the companies in the consumer discretionary sector as a subset of the S&P 500.
The S&P 500 Information Technology Index is a capitalization-weighted index that tracks the companies in the information technology sector as a subset of the S&P 500.
The S&P 500 Consumer Staples Index is a Materials Index is a capitalization-weighted index that tracks the companies in the consumer staples sector as a subset of the S&P 500.
The S&P 500 Utilities Index is a capitalization-weighted index that tracks the companies in the utilities sector as a subset of the S&P 500.
The S&P 500 Healthcare Index is a capitalization-weighted index that tracks the companies in the healthcare sector as a subset of the S&P 500.
The S&P 500 Telecom Index is a Materials Index is a capitalization-weighted index that tracks the companies in the telecom sector as a subset of the S&P 500.
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.
The University of Michigan Confidence Index is a survey of consumer confidence conducted by the University of Michigan. The report, released on the tenth of each month, gives a snapshot of whether or not consumers are willing to spend money.
The Mortgage Bankers Association Market Composite Index measures mortgage loan application volume.
The Producer Price Index (PPI) measures prices received by producers at the first commercial sale. The index measures goods at three stages of production: finished, intermediate and crude.
The Bloomberg Consumer Comfort Index is a weekly, random-sample survey tracking Americans' views on the condition of the U.S. economy, their personal finances and the buying climate.
M2 Money Supply is a broad measure of money supply that includes M1 in addition to all time-related deposits, savings deposits, and non-institutional money-market funds.
The Consumer Price Index (CPI) is one of the most widely recognized price measures for tracking the price of a market basket of goods and services purchased by individuals. The weights of components are based on consumer spending patterns.