U.S. Global Investors
Investor Alert

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Will Gold Equity Investors Strike Gold?

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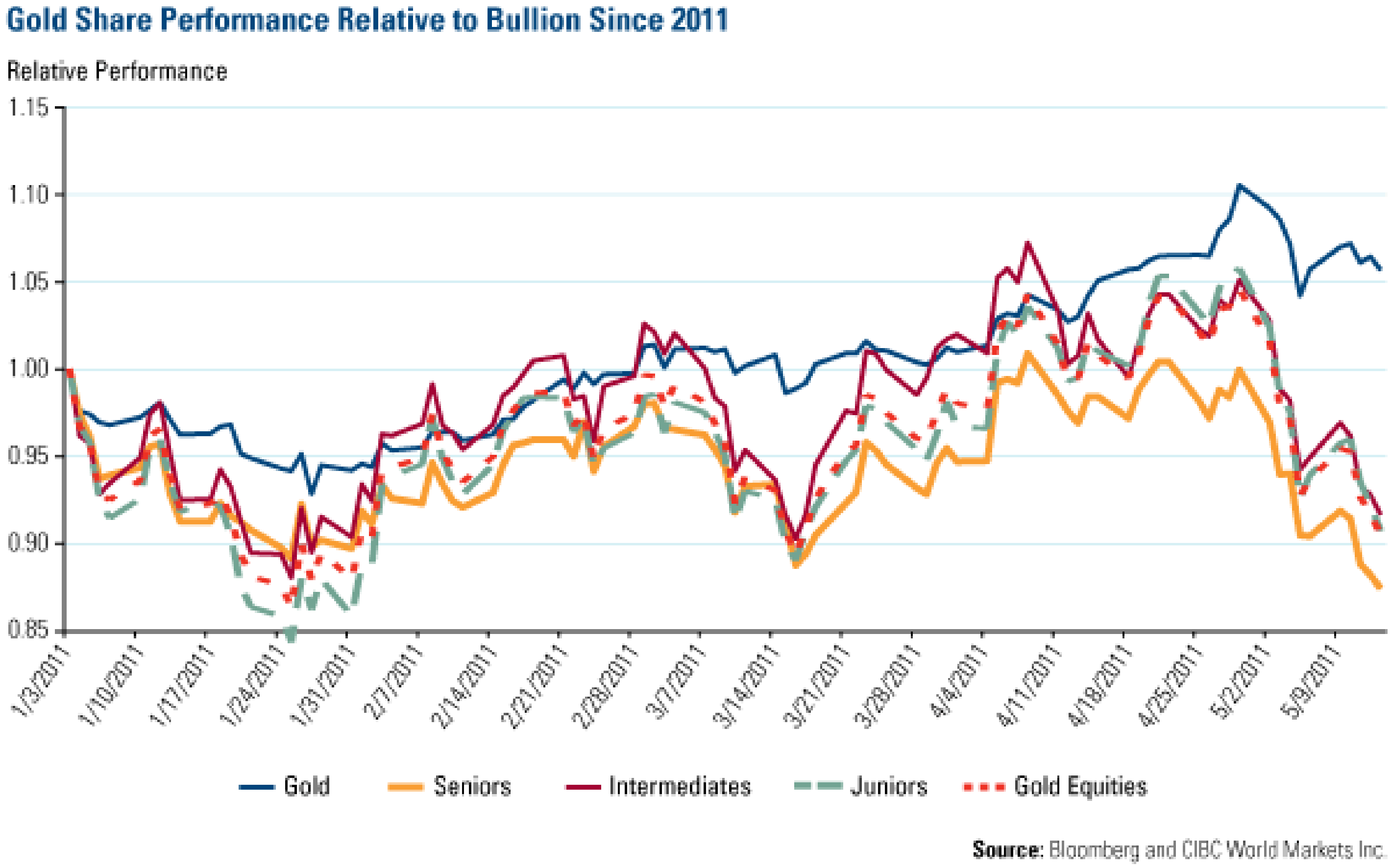
Gold prices passed the $1,500 per ounce mark for the first time ever in mid-April of this year and have set up shop around $1,525-$1,550 an ounce aside from a couple of short pullbacks in early May. So far in 2011, it's been relatively status quo for those investors who've embraced gold as a way to protect themselves from currency debasement, excessive money printing and inflation as prices have increased 7.67 percent. BofA-Merrill Lynch (BofA-ML) analysts are forecasting gold prices could fall to $1,400 an ounce during seasonal weakness in July before rebounding as high as $1,650 an ounce by early fall.

While the party continues for gold bullion prices, stocks of gold companies have been a no-show. The NYSE Arca Gold Bugs Index (HUI) has fallen more than 13 percent year-to-date and the Philadelphia Gold & Silver Index (XAU) has toppled more than 16 percent. Companies such as High River Gold Mines, Jaguar Mining and NovaGold Resources are off more than 45 percent from 2007-2008 highs.

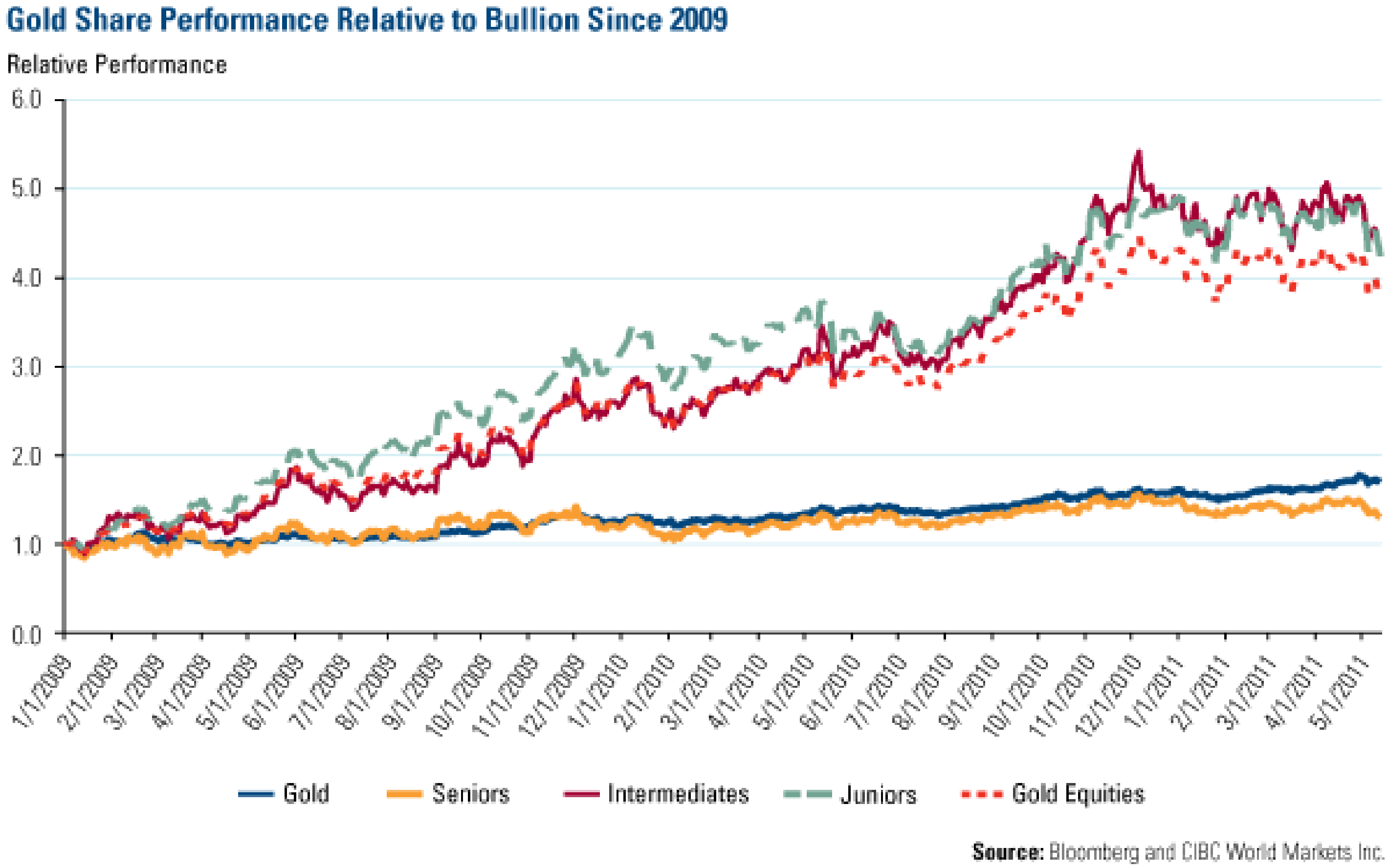
This underperformance has been exacerbated in recent weeks making it a hot topic of discussion among investors, analysts and portfolio managers. This chart shows gold equities of all market capitalization sizes were holding up quite well until late April. That's when global sentiment toward equities, not just gold shares, began to waver and prices dropped off a cliff.



For the purposes of this chart, CIBC qualifies seniors as companies with market capitalizations above $10 billion, intermediates as those between $10 billion and $2 billion, and juniors as those below $2 billion. Non-producing companies are excluded.

Now, short-term aberrations in markets are common, and this isn't the first time gold bullion and gold equity prices have diverged. Gold equities underperformed gold bullion in 2000 and 2008 during times of extreme market negativity and uncertainty. These previous instances have been merely temporary setbacks and markets generally reverted back to their long-term trends. According to J.P. Morgan research, gold equities have climbed an astounding 1,400 percent off of their 2000 lows while the S&P 500 Index has seen an 11 percent decline.

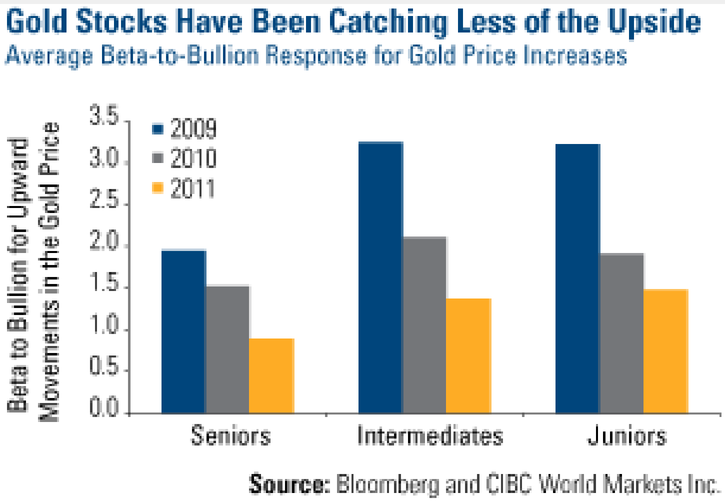
Here's the same chart from above but it has been extended out to the beginning of 2009. You can see that with the exception of the seniors, gold equities have far outpaced gold bullion performance by more than 2-to-1.



Gold stocks have historically outperformed the gold price by roughly a 3-to-1 ratio. This means that a 5 percent rise in the price of gold generally translated into a 15 percent rise in the miners. Recently, this leverage has eroded to about a 1-to-1 ratio, or lower at times, according to BofA-ML.

Leverage, of course, can work in both directions, and the beta-to-bullion ratio for many gold stocks is stronger during downward price movements and weaker during the upward ones. This means that the gold stocks are being punished for any downside volatility in gold prices, without being rewarded for any increases.

This has been unilateral across different market cap sizes. This chart shows the average beta-to-bullion response for upward movements in the gold price has been declining since 2009. Senior gold stocks have seen the largest decline with their average beta dropping nearly 60 percent.



One likely reason for the loss in upward leverage has been the maturation of the gold investing market. In the past, investors looking to gain gold exposure without the headaches of taking physical possession of gold bullion turned to gold equities. Today, the proliferation of bullion-backed ETFs and the birth of small, gold bar buying programs in Asia have unlocked additional options.

I had lunch with CIBC's Barry Cooper, gold-company wizard and one of the industry's best analysts, last week. He sees this recent phenomenon as "a market-sentiment driven event that will pass as fundamental financial drivers kick in to support share prices and drive them higher." However, the trend could continue as long as the cost of mining operations continues to inflate. Cooper modeled a case study that showed equities can produce an inferior return relative to bullion when the price of an ounce and the cost to produce it rise in tandem despite the opportunity for companies to use higher prices to expand production or increase reserves.

According to Cooper, "the average global cost per ton has been rising at a rate that is slower than the gold prices increase; however, it has also been accompanied by a declining grade profile for most operations." The average grade of a gold deposit has declined 21 percent since 2005 but higher bullion prices have made it economically viable for gold companies to pursue higher cost projects and keep lower cost, high grade operations off line in case gold prices pull back.

Further, Cooper says this means that "the market seems to have penalized companies for the rising costs associated with lengthening the life of a mine operation...the market does not seem to be paying for the optionality offered by increasing reserves when they come with increased costs."

The strongest periods of underperformance seem to correspond with times when cost inflation was high. Cooper concluded that "investors seeking gold exposure also want safety in terms of cost containment, and when part of the reason for buying stocks falters, the choice is abandoned for alternative investments."

BofA-ML estimates that the average all-in cost for the industry was up 19 percent from the previous year to $1,081 an ounce during the first quarter of 2011. The increase is largely due to rising fuel prices, higher labor costs, increased regulatory expenses and declining ore grades.

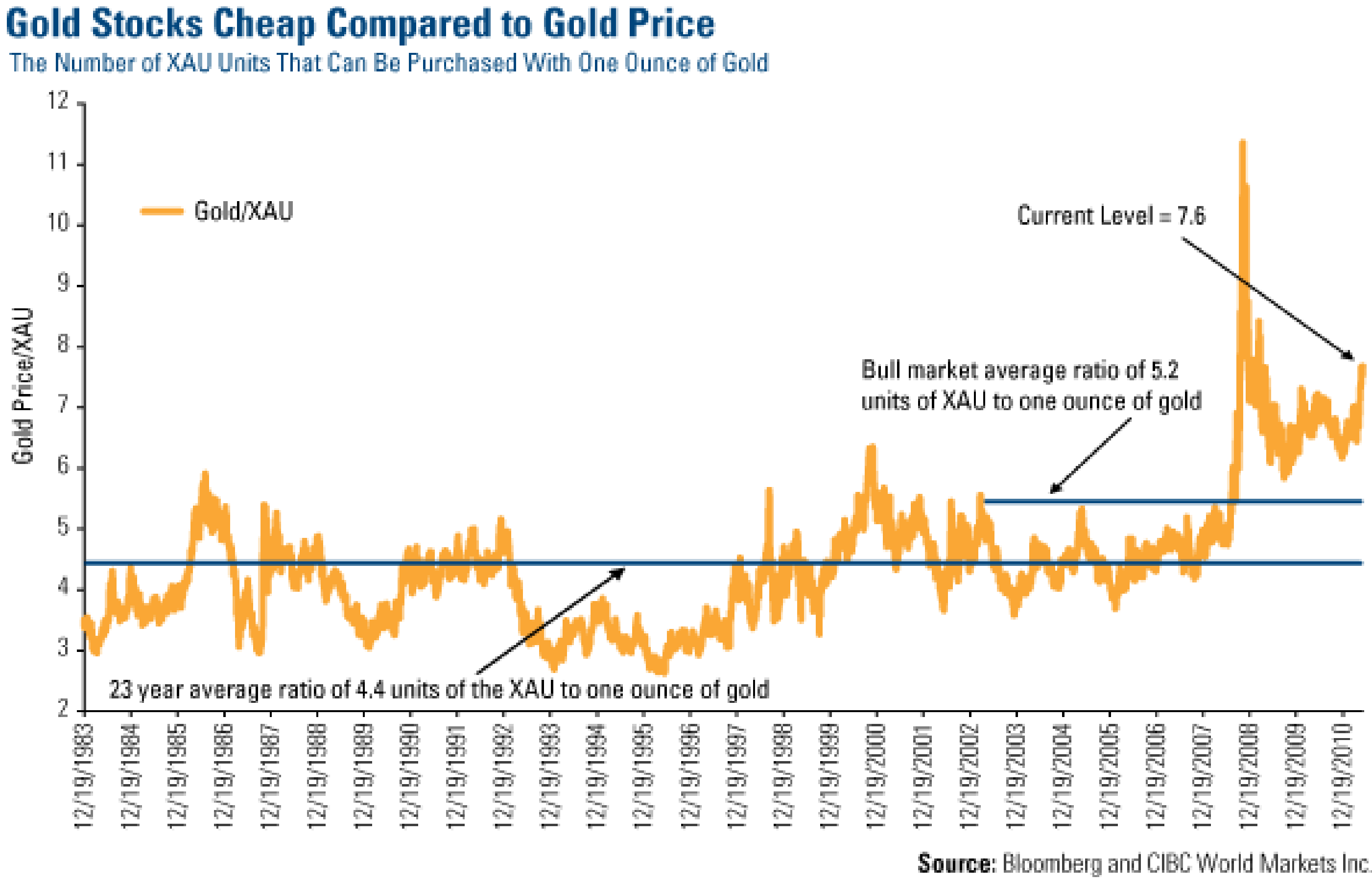
While it’s true that these rising costs are putting a strain on miners’ profitability, it’s important to keep it in context. While cash costs have increased 19 percent, profit margins—the true gauge of a company’s value—have expanded 25 percent on average, more than offsetting the cost increases.

In fact, financials for the majority of gold companies have been improving for years. According to Cooper, many gold companies “have been generating positive [cash flow] and growing earnings on a per-share basis.” Although it hasn’t showed up in share price performance, senior gold miners have seen the strongest gains with average per share earnings increasing roughly 67 percent since 2009.

Corporate cash flows for gold producing companies have also increased significantly. The average senior gold miner now has more than twice the amount of cash flow; mid-sized intermediate gold companies’ cash flow has more than tripled.

This year’s carnage has created a substantial opportunity to buy healthy, gold mining companies at historically low prices compared to gold bullion. Cooper says that “the net result is that gold companies can now be purchased for about their intrinsic value for the spot price of bullion.”

Historically, one could purchase about 4.4. units of the XAU for the price of an ounce of gold. That ratio fell to less than 3 units per ounce in the mid-1990s when gold prices bottomed but has averaged 5.2 units during the current bull market.



You can see from the chart that today's level is 46 percent above the historical norm at 7.6 units to one ounce of gold. By this measure, one can purchase shares of gold mining companies at their second-cheapest level in nearly 30 years. The extreme was in 2008 during the depths of the financial crisis; many share values quadrupled off of those levels.

One way gold companies can lure investors is by sharing their profits through dividends. This would provide a cash incentive to hold shares of the company and allow investors to participate in rising earnings. We like the idea of investors getting "paid to wait" or reinvesting those dividends and purchasing additional shares at potentially lower prices.

Newmont Mining, a company whose share price is about 15 percent off of its highs, recently initiated a dividend program and has a current yield of 1.55 percent. Companies such as Buenaventura (1.82 percent), Yamana Gold (1.59 percent), Gold Fields (1.39 percent) and Barrick Gold (1.11 percent) also offer attractive yields.

This week's events in Greece should remind everyone that global markets are still recovering from 2008's trauma. The system is not nearly as strained as it was then but we are by no means out of the woods in terms of global economic stability. This should continue to provide a catalyst for strong gold prices.

With gold companies currently undervalued and offering strong cash flows and attractive yields, we think gold equities will be rewarded by the market and rise with strong gold prices. BMO Financial analyst Don Coxe echoes our sentiment: "gold and gold stocks offer a protection that is going to become more valuable in the period of months ahead. It's possible that the long-awaited period, when gold stocks outperform bullion, is coming soon."

Ralph Aldis, co-manager of the U.S. Global Investors World Precious Minerals Fund (UNWPX) and Gold & Precious Metals Fund (USERX) contributed to this commentary.

Index Summary

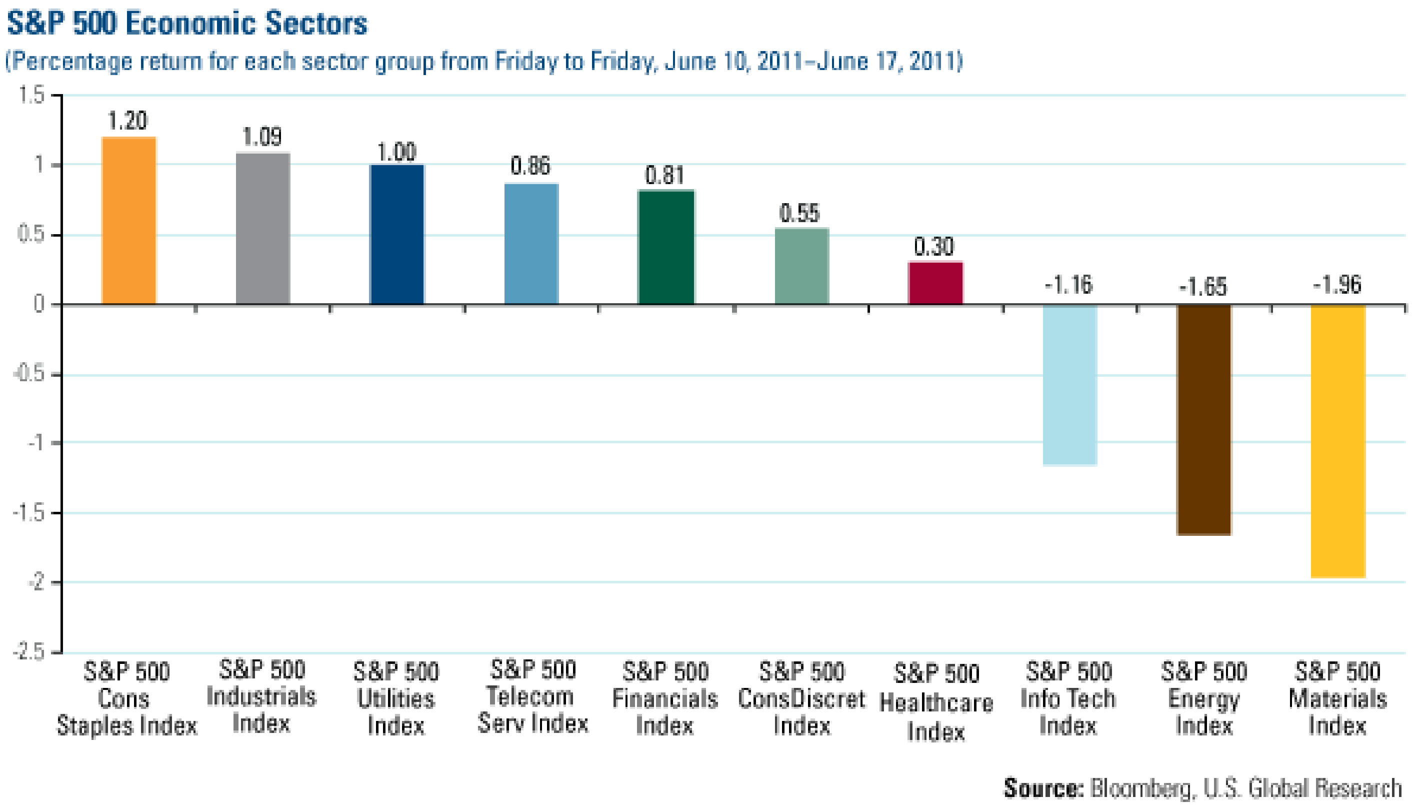
- The major market indices were mixed this week. The Dow Jones Industrial Average gained 0.44 percent. The S&P 500 Index rose 0.04 percent, while the Nasdaq Composite lost 1.03 percent.
- Barra Growth underperformed Barra Value as Barra Value finished 0.31 percent higher while Barra Growth declined 0.22 percent. The Russell 2000 Index closed the week with a gain of 0.28 percent.
- The Hang Seng Composite finished lower by 3.02 percent; Taiwan declined 2.28 percent, and the Kospi lost 0.72 percent.
- The 10-year Treasury bond yield closed 3 basis points lower at 2.94 percent.

All American Equity Fund - GBTFX • Holmes Growth Fund - ACBGX • Global MegaTrends Fund - MEGAX

Domestic Equity Market

The figure below shows the performance of each sector in the S&P 500 Index for the week. Seven sectors gained and three declined. The best-performing sector for the week was consumer staples which increased 1.20 percent. Other top-three sectors were industrials and utilities. Materials was the worst performer, down 1.96 percent. Other bottom-three performers were energy and technology.

Within the consumer staples sector, the best-performing stock was Lorillard, which rose 11.51 percent. Other top-five performers were Tyson Foods, Walgreen, Colgate-Palmolive, and Brown-Forman.



Strengths

- The healthcare facilities group was the best-performing group for the week, up 8 percent, led by its single member, Tenet Healthcare.

- The retail computer & electronics group outperformed, rising 6 percent on strength in member Best Buy. The retailer reported first quarter earnings and revenue above the consensus estimates.

- The apparel & accessory group outperformed, up 4 percent. Group member VF Corp. agreed to buy Timberland for about $2 billion in cash in an effort to add scale to its outdoor clothing offerings.

Weaknesses

- The metal & glass containers group was the worst performer, losing 6 percent, led down by member Owens-Illinois. The manufacturer of glass containers announced that it expects second quarter earnings to be lower than originally forecast because of disappointing demand and supply chain problems.

- The fertilizer & agricultural chemicals group fell 6 percent with both group members (Monsanto and CF Industries Holdings) declining. The Senate voted for ending the ethanol subsidy. The vote was to amend an economic development bill which may not pass.

- The coal & consumable fuel group underperformed, down 5 percent. All three members of the group sold off with the weakness probably related to the decline in the price of crude oil during the week.

Opportunities

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

Threats

- 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 uncertainty, which is not good for stock prices.

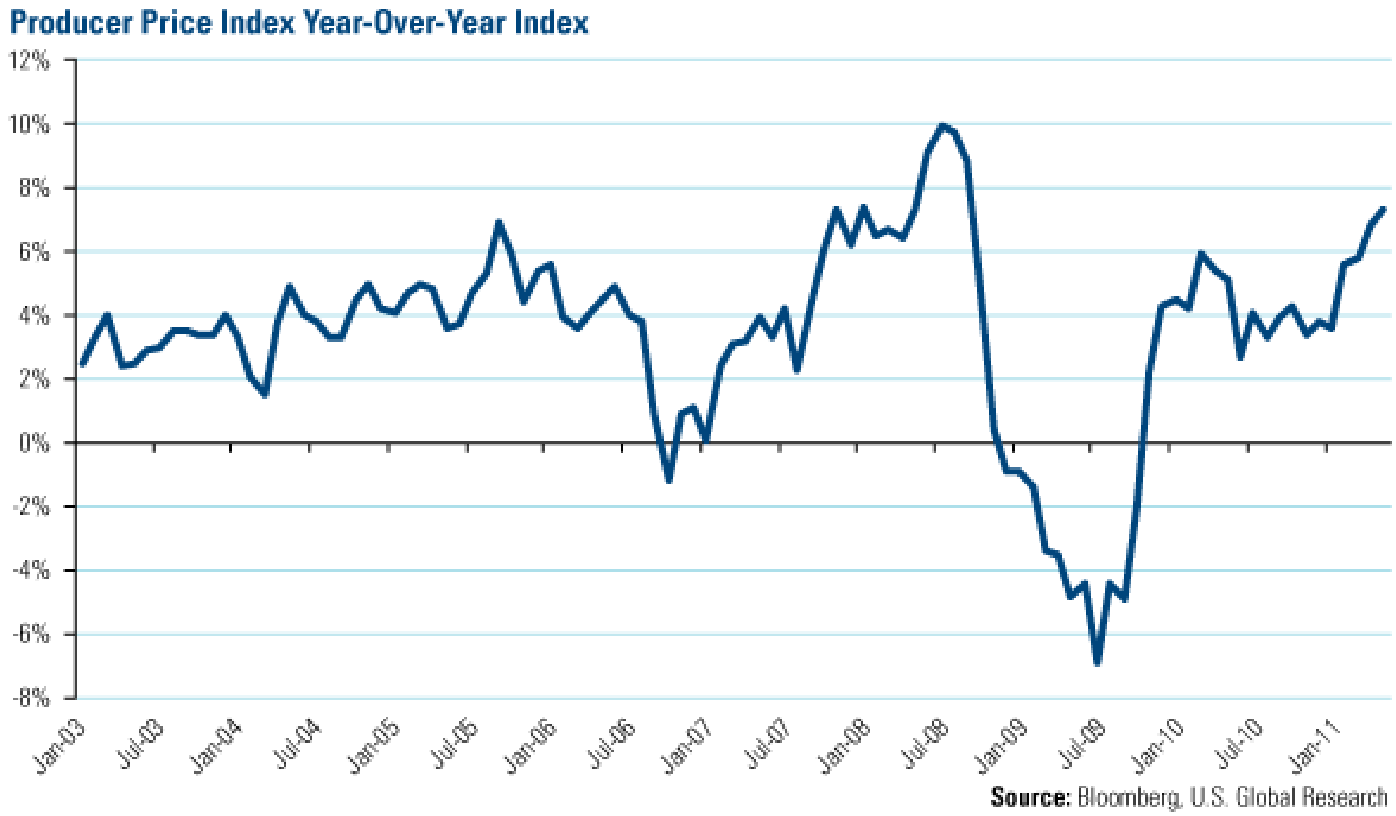
U.S. Government Securities Savings Fund - UGSXX • U.S. Treasury Securities Cash Fund - USTXX
Near-Term Tax Free Fund - NEARX • Tax Free Fund - USUTX

The Economy and Bond Market

The yield on the 10-year U.S. Treasury note declined 3 basis points this week to end at 2.94 percent.

A fixed-income research report from RBC Capital Markets provided a positive note for municipal bonds, pointing out that the May 2011 employment data included a 30,000 reduction in state and local government employment for the month. The report states that general local government employment (which excludes education jobs) is back to mid-2006 levels, and state general government employment is at levels last seen in January 1999. The report notes that, when analyzed in terms of employees per one thousand population, state general government employment is now about 8.7 per 1,000, a figure which has not been this low since 1976. The report takes issue with “the glib pronouncements in the media about the precarious position of municipal credits.”

The graph below shows the producer price index for the U.S. on a year-over-year basis, not seasonally-adjusted. The last data point for May 2011 shows a rise of 7.3 percent, the fastest rise since September 2008. Excluding food and energy, the year-over-year rise was 2.1 percent.



Strengths

- Initial jobless claims declined by 16,000 to 414,000 in the week ended June 11, below the 420,000 consensus.
- Housing starts in May were at an annual pace of 560,000, above the 545,000 median forecast. Building permits were 612,000, above the 557,000 consensus.
- Retail sales fell 0.2 percent in May from April, less than the 0.5 percent decrease in the forecast.
- The Conference Board Index of Leading Economic Indicators rose 0.8 percent in May. Economists had forecast a 0.3 percent gain.
- The Mortgage Bankers Association’s index of mortgage applications increased 13 percent in the week ended June 10 from the prior week. This was the largest percentage gain since the week of March 4.

Weaknesses

- Wholesale costs in the U.S. rose more than forecast in May. The Producer Price Index rose 0.2 percent month-over-month, more than the 0.1 percent forecast, and it rose 7.3 percent year-over-year compared to the 6.8 percent consensus. Excluding food and energy, the index rose 2.1 percent year-over-year, in line with the forecast.

- The consumer price index in the U.S. rose more than forecast in May, up 0.2 percent month-over-month versus a forecast of up 0.1 percent. It was up 3.6 percent year-over-year in May compared to the 3.4 percent consensus. Excluding food and energy, it gained 1.5 percent year-over-year versus a 1.4 percent forecast.

- The University of Michigan Consumer Sentiment Index decreased to 71.8 in June from 74.3 in May, and it was below the consensus of 74.

- The Federal Reserve Bank of New York's general economic index dropped to minus 7.8 in June, the lowest level since November. The forecast was for a positive 12.0.

- The Federal Reserve Bank of Philadelphia's general economic index fell to minus 7.7 in June from 3.9 in May. Readings less than zero signal contraction. The median forecast was 7.

- The National Association of Homebuilders sentiment index for June fell to 13 from 16 in May. The consensus was 16. Readings below 50 mean more respondents said conditions were poor.

Opportunities

- The Fed may be forced into another round of quantitative easing if employment and the economy do not improve soon. This is not consensus and the market is applying low odds of this occurring, but if it were to come to pass, the fixed income markets would likely rally from here.

Threats

- Another Greek bailout appears inevitable and others are likely to follow which increases the eventual risk of default and is a potential threat to the global banking system.

World Precious Minerals Fund - UNWPX • Gold and Precious Metals Fund - USERX

Gold Market

Spot gold closed at $1,539.45, up $7.70 per ounce, or 0.51 percent for the week. Gold equities, as measured by the Philadelphia Gold & Silver Index, fell 1.86 percent. The U.S. Trade-Weighted Dollar Index rose 0.32 percent for the week.

Strengths

- China's gold output in the first four months of 2011 totaled 103.23 tons, up 4.24 percent from the same period a year ago, according to the Ministry of Industry and Information Technology. Total gold produced in the month of April was 29.8 tons, while gold mining output rose 5.05 percent from a year ago to 85.4 tons.

- CME Group is decreasing the margin requirements for gold futures by 10 percent as of the close of business on this coming Monday. The initial margin to open new speculative positions will decline by nearly $700 on the COMEX division of the New York Mercantile Exchange. CME Group said the changes are part of the "normal review of market volatility to ensure adequate collateral coverage."

- Exploration results from the Yukon are even more impressive this year. Last year was strong for exploration in the Yukon, with about $150 million in such expenditures. But this year is looking even better, with exploration expenditures expected to top $250 million, according to Natural Resources Canada.

Weaknesses

- Tanzania's Parliament on Tuesday approved a $27.4-billion five-year development plan, backing the proposed introduction of a super-profit tax on mining companies. Tanzania cites rising commodity prices as justification for the tax.

- India's Mines Ministry has prepared a draft Sustainable Development Framework for the mining industry to provide guidelines for project level practices to ensure sustainable mining, as the industry faces mounting criticism on several performance-related issues.

Opportunities

- China's gold production is expected to rise by more than 10 percent in 2011 from a year ago, a senior official from the China Gold Association said, opining that world gold prices would continue to climb in the second half of the year.

- Gold should trade to just over $1,600 an ounce by the end of 2011 and silver should be flirting with $50 an ounce as governments will need to maintain a loose monetary policy despite the phasing out of stimulus packages in the U.S., according to Philip Newman, director of major research firm GFMS. Newman noted, "The outlook for inflation remains fairly upbeat, so investors in commodities and precious metals – gold and silver – we think, would still return to the market later this year."

- Standard Chartered Bank recently said, “limited gold production, buying by central banks and increasing demand from India and China – can potentially drive the gold price to $5,000 per ounce.”

Threats

- Market observers want to see Vietnam’s leadership doing more to prevent a further flight from the dong into gold and other tangible assets. The government introduced a plan that proposed tightening the controls on gold trading. A further draft decree on this subject from the State Bank of Vietnam is expected to be released at the end of this month. A law passed recently made it illegal for people to sell their gold to anyone other than the central bank, undermining gold’s viability as a black-market currency.

- More governments in Africa and elsewhere, especially newly elected ones, will likely look at raising mining taxes and royalties amid historically high commodity prices.

- It is interesting to ponder that one of the positives considered by default analysts with regard to the European Central Bank (ECB), should Greece restructure its debt, is that the ECB currently has dollar swap agreements with the Fed. In other words, if the equity base of European banks is wiped out by a default, the U.S. would backstop the system with a bailout.

Global Resources Fund - PSPFX • Global MegaTrends Fund - MEGAX

Energy and Natural Resources Market

Source: IAI, CNIA, NBS, Macquarie Research, June 2011

Strengths

- The National Development and Reform Commission reported this week that China's oil processing volume for the month of May rose 4.4 percent year-over-year to 34.9 million tons.

- Nickel consumption was 126,000 metric tons in April, exceeding refined metal supplies of 123,200 tons, according to an International Nickel Study Group report. That was the fourth monthly shortage in a row.

- Crude steel production from China, the world's biggest steel producer, rose 7.8 percent to 60.25 million tons in May from a year earlier, according to data released this week by the Beijing-based National Bureau Statistics.

- U.S. industrial production rose by 0.1 percent month-over-month and 3.4 percent year-over-year, with manufacturing faring better, rising by 0.4 percent month-over-month and 3.7 percent year-over-year, with auto assemblies rising to 7.88 million annually.

- The International Lead and Zinc Study Group estimates that world refined zinc consumption increased by 3.8 percent year-over-year to 4.093 million tons, with China's zinc consumption increasing by 7.3 percent year-over-year in the first four months of 2011.

Weaknesses

- Preliminary data released this week showed that unwrought copper and aluminum imports continued to decline, falling 36 percent and 21 percent year-over-year. Copper imports in May dropped by 3 percent month-over-month to 254,738 tons from 262,676 tons in April, according to China's General Administration of Customs.

- Norwegian oil output in May was down due to planned maintenance and technical problems on several fields, with total liquids production at 1.828 million barrels per day and crude production at 1.541 million barrels per day. The total production was down 383 thousand barrels per day year-over-year, one of the largest year-over-year declines ever.

Opportunities

- On July 1, Russia may lower its export duty on most crude shipments by as much as 4.1 percent. This will be the first decrease in its export duty since October.
- Petro Vietnam, the national oil and gas group, intends to build 6 gigawatts of coal-fired power capacity, which is estimated to increase imports to 10 million tons in 2012 and 100 million tons by 2020 from further grid and power plant development.
- The International Energy Agency said that growth in oil demand should average about 1.2 million barrels per day every year for the next five years. It also reported that the 2011 “bull run” in oil was justified by changes in fundamentals.

Threats

- With heavy rainfall resulting in severe flooding at the middle and lower Yangtze River, a major rice producing region, food prices and inflation may remain elevated. China’s inflation rose to 5.5 percent in May from 5.3 percent a year earlier.
- Germany’s 2011 grain crop of all types is likely to fall 7.9 percent on the year as dry spring weather has damaged crops, according to the German Farm Cooperatives Association.
- The U.S. Senate voted 73-27 to approve an amendment to end the 45 cents per gallon subsidy the government gives refiners and to also abolish the 54 cents per gallon tariff on imported ethanol. Republican leaders agreed that removing the ethanol subsidies would not be considered a tax increase, so the amendment could be adopted by the House of Representatives.

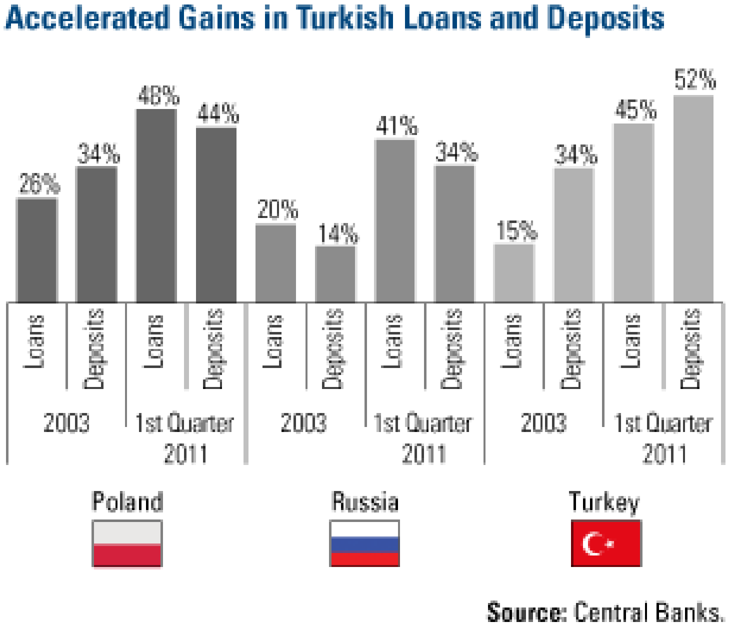
China Region Fund - USCOX • Eastern European Fund - EUROX
Global Emerging Markets Fund - GEMFX

Emerging Markets

Strengths

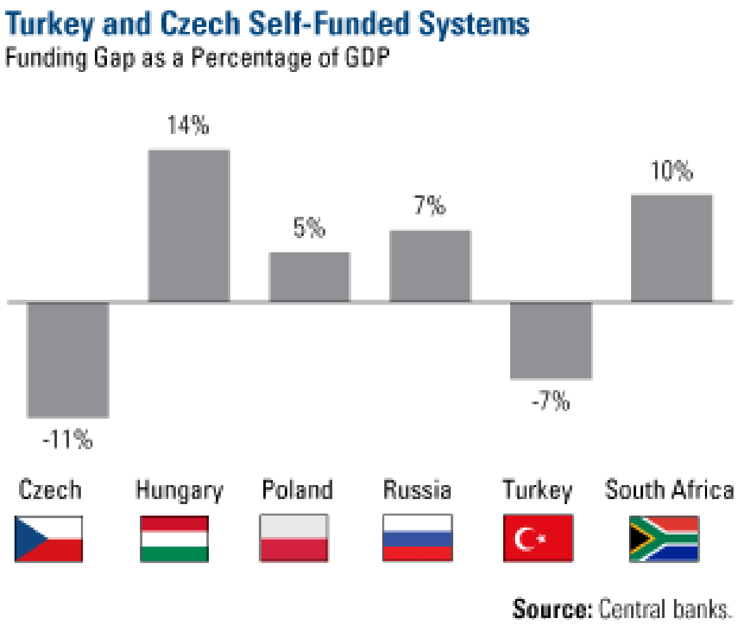
- Chinese Vice Premier Li Keqiang said the central government will increase funding for affordable housing projects.

- The National Development and Reform Commission says China will approve more coal-fired power projects to ease power shortages in the country.



- China's industry value-added production went up 13.3 percent in May, showing steady growth during a monetary-tightening macro environment. Consumer spending also showed resilient growth at 16.9 percent, slightly lower than 17.1 percent in April. Real estate investment was up 34.6 percent, mostly from affordable housing projects. After showing strong growth for the first four months of the year, fixed asset investments increased 25.8 percent for the year-to-date period.

- Turkish deposit and credit penetration caught up with average emerging Europe levels over 2008-2010, while it maintained a self-funded system similar to Czech Republic. This was in contrast to other countries with funding gaps.



Weaknesses

- China saw the lowest new loan and money supply growth in May since 2008. New bank loans totaled Rmb 551.6 billion, while M2 growth was 15.1 percent.

- Hong Kong has raised the minimum down payment for home buyers to cool housing prices.

- China's inflation in May hit a 34-month high, reaching 5.5 percent year-over-year, but lower than the market's estimate. The producer price index stayed flat at 6.8 percent, but the industry input price was up 10.2 percent year-over-year, clearly showing downside pressure on industrial gross margins.

- Food prices increased 11.9 percent in May, mostly due to the drought across China during the spring season this year.

- The People's Bank of China (PBOC) raised the reserve requirement ratio by 50 basis points (to 21.5 percent) for the sixth time this year.

- China's M2 growth was at 15.1 percent in May, 0.2 percent lower than April, showing a downtrend of money supply as intended by the central bank. A recently published PBOC survey has shown that industries are hoping for a reversal of the monetary tightening policy.

- The Beijing-Shanghai high speed train will officially start operations by the end of June, which is seen as a negative to airline passenger flows.

- Emerging Europe PMIs in May confirm that the region's manufacturing industry is losing the tailwind provided by the global economic recovery. The slackening comes amid monetary and fiscal tightening in China and Europe.

Opportunities

- HSCI financials decreased 5.4 percent year-to-date, and are down more than 8 percent in June. China's major banks are currently trading below their historical average, with a price-to-book of 1.77 times or lower, a level which we believe shows great value for investors.

- Natural gas from reserve-rich Turkmenistan, Kazakhstan and Uzbekistan could be the best match for China's gas needs. Turkmenistan alone could probably deliver much more than the currently contracted 30 billion cubic meters of gas from the giant 1.8 trillion cubic meter South Yoloten field, which is currently under a $10 billion development – financed by CNPC loans. A newly constructed 40 billion cubic meter Central Asia–China pipeline fits snugly into existing Chinese gas infrastructure and could probably be expanded to take extra gas volumes if the deals with Russia fail.

Threats

- The PBOC may raise interest rates soon to help curb inflation. In China, the one-year deposit rate is currently at 3.31 percent. At a 5.5 percent inflation rate, the real rate is 2.29 percent, adding pressure for further rate hike.

- Prolonged uncertainty on the political front in Greece translates into instability of the deposit base in Greece and other periphery economies. The Balkan countries are most at risk, with Bulgaria most vulnerable. Greek banks have lent more than 31 percent of Bulgarian GDP to Bulgarian entities.

Leaders and Laggards

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

Weekly Performance

Index	Close	Weekly Change($)	Weekly Change(%)
DJIA	12,004.36	+52.45	+0.44%
S&P 500	1,271.50	+0.52	+0.04%
S&P BARRA Value	595.95	+1.87	+0.31%
S&P BARRA Growth	667.29	-1.47	-0.22%
S&P Energy	534.25	-8.95	-1.65%
S&P Basic Materials	229.10	-4.59	-1.96%
Nasdaq	2,616.48	-27.25	-1.03%
Russell 2000	781.75	+2.21	+0.28%
Hang Seng Composite Index	3,067.84	-95.40	-3.02%
Korean KOSPI Index	2,031.93	-14.74	-0.72%
S&P/TSX Canadian Gold Index	353.98	-8.97	-2.47%
XAU	190.12	-3.61	-1.86%
Gold Futures	1,539.60	+10.40	+0.68%
Oil Futures	93.07	-6.22	-6.26%
Natural Gas Futures	4.35	-0.41	-8.62%
10-Yr Treasury Bond	2.94	-0.03	-1.14%

Monthly Performance

Index	Close	Monthly Change($)	Monthly Change(%)
DJIA	12,004.36	-555.82	-4.43%
S&P 500	1,271.50	-69.18	-5.16%
S&P BARRA Value	595.95	-32.21	-5.13%
S&P BARRA Growth	667.29	-36.53	-5.19%
S&P Energy	534.25	-19.83	-3.58%
S&P Basic Materials	229.10	-12.72	-5.26%
Nasdaq	2,616.48	-198.52	-7.05%
Russell 2000	781.75	-51.70	-6.20%
Hang Seng Composite Index	3,067.84	-332.01	-14.83%
Korean KOSPI Index	2,031.93	-103.85	-4.86%
S&P/TSX Canadian Gold Index	353.98	-16.86	-4.55%
XAU	190.12	-8.51	-4.28%
Gold Futures	1,539.60	+42.50	+2.84%
Oil Futures	93.07	-7.03	-7.02%

Natural Gas Futures	**4.35**	**+0.15**	**+3.55%**
10-Yr Treasury Bond	**2.94**	**-0.25**	**-7.70%**

Quarterly Performance

Index	Close	Quarterly Change($)	Quarterly Change(%)
DJIA	**12,004.36**	**+229.77**	**+1.95%**
S&P 500	**1,271.50**	**-2.22**	**-0.17%**
S&P BARRA Value	**595.95**	**-9.57**	**-1.58%**
S&P BARRA Growth	**667.29**	**+8.03**	**+1.22%**
S&P Energy	**534.25**	**-26.57**	**-4.74%**
S&P Basic Materials	**229.10**	**-4.97**	**-2.12%**
Nasdaq	**2,616.48**	**-19.57**	**-0.74%**
Russell 2000	**781.75**	**-3.77**	**-0.48%**
Hang Seng Composite Index	**3,067.84**	**-39.65**	**-1.28%**
Korean KOSPI Index	**2,031.93**	**+72.90**	**+3.72%**
S&P/TSX Canadian Gold Index	**353.98**	**-21.66**	**-5.77%**
XAU	**190.12**	**-11.92**	**-5.90%**
Gold Futures	**1,539.60**	**+132.70**	**+9.43%**
Oil Futures	**93.07**	**-8.35**	**-8.23%**
Natural Gas Futures	**4.35**	**+0.19**	**+4.55%**
10-Yr Treasury Bond	**2.94**	**-0.32**	**-9.86%**

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:

High River Gold Mines: 0.00%
NovaGold Resources: 0.00%
Jaguar Mining: 0.00%
Newmont Mining: Gold and Precious Metals Fund: 0.75%
Buenaventura: 0.00%
Barrick Gold: Gold and Precious Metals Fund: 7.17%, World Precious Minerals Fund: 2.82%
Yamana Gold: Gold and Precious Metals Fund: 3.76%, World Precious Minerals Fund: 2.93%
Gold Fields: Gold and Precious Metals Fund: 0.64%
Lorillard, Inc.: All American Equity Fund: 1.26%
Tyson Foods, Inc.: 0.00%
Walgreen Co.: 0.00%
Colgate-Palmolive Co.: 0.00%
Brown-Forman Corp.: 0.00%
Tenet Healthcare Corp.: 0.00%
Best Buy Co., Inc.: 0.00%
VF Corp.: 0.00%
Timberland Co.: 0.00%
Owens-Illinois, Inc.: 0.00%
Monsanto Co.: 0.00%
CF Industries Holdings, Inc.: All American Equity Fund: 1.45%

*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.
The NYSE Arca Gold BUGS (Basket of Unhedged Gold Stocks) Index (HUI) is a modified equal dollar weighted index of companies involved in gold mining. The HUI Index was designed to provide significant exposure to near term movements in gold prices by including companies that do not hedge their gold production beyond 1.5 years.
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 Conference Board index of leading economic indicators is an index published monthly by the Conference Board used to predict the direction of the economy's movements in the months to come. The index is made up of 10 economic components, whose changes tend to precede changes in the overall economy.
The Mortgage Bankers Association’s Purchase Index includes all mortgage applications for the purchase of a single-family home. It covers the entire market, both conventional and government loans, and all products. The Purchase Index has proven to be a reliable indicator of impending home sales.
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.

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.