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U.S. Global Investors
# Investor Alert

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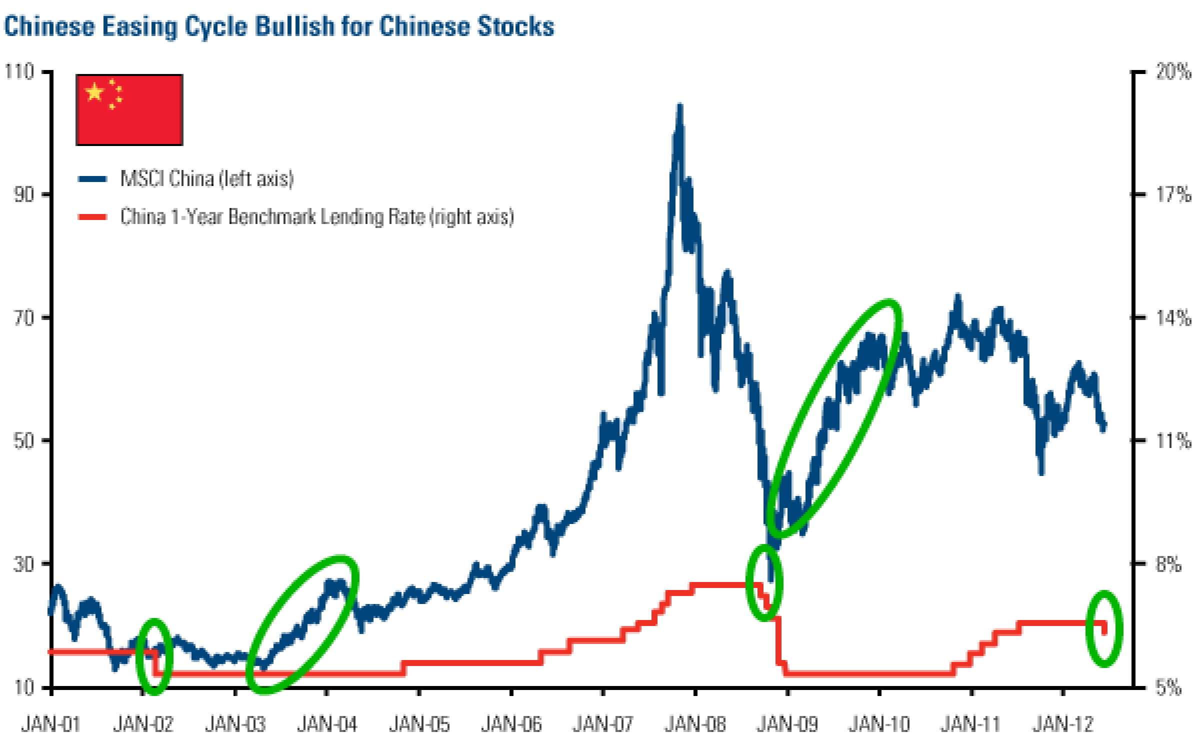
## China Eases the Way

*By Frank Holmes*
*CEO and Chief Investment Officer*
*U.S. Global Investors*

Following negative data last week, investors were clearly concerned about global growth and anxiously anticipated government actions. While Europe and the U.S. disappointed investors, China surprised on the upside by cutting interest rates. The market reacted positively, as the S&P 500 Index increased 3.7 percent.

It's clear the government's tone in China shifted this week with the rate cuts. The government appeared to be comfortable with slower growth, but that position seemed to change as the country took steps to avert a hard landing and cut interest rates to stabilize the economy.

Over the past decade, there were only two periods when the government reduced rates: once in 2002, and several times at the end of 2008. This time, rates were cut by 25 basis points each on lending and deposits. The one-year benchmark deposit rate is now 3.25 percent and the 1-year lending floor rate is now at 6.31 percent. Historically, easing rates have been positive for the MSCI China Index.

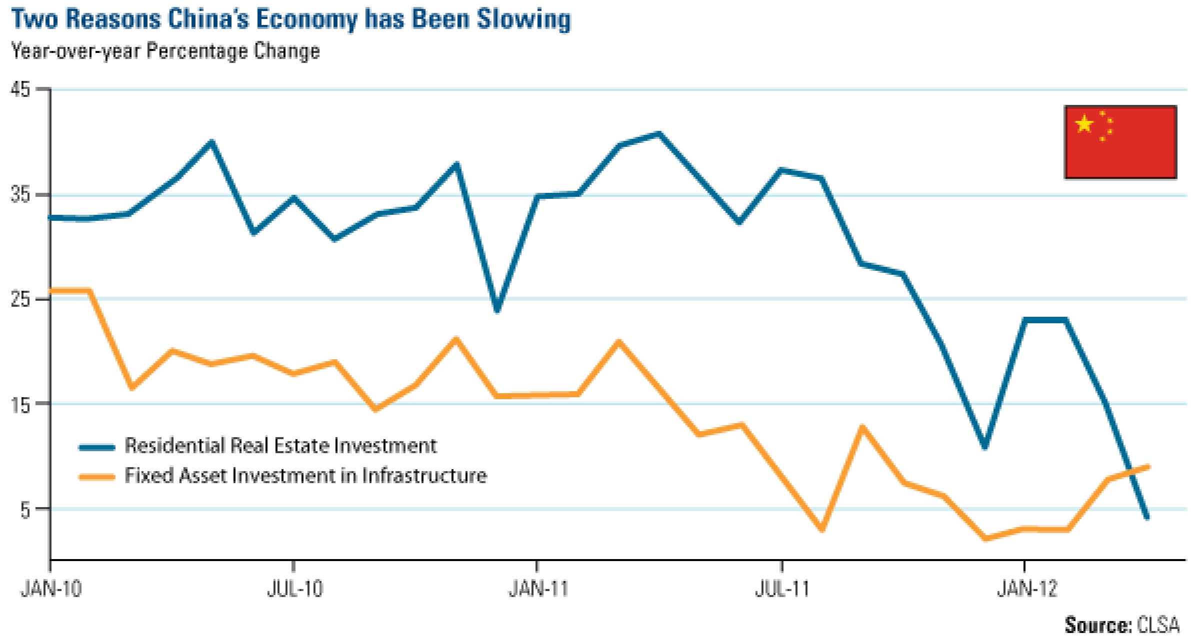


**Source:** Bloomberg, MSCI China Index represents investable Chinese companies traded in Hong Kong or China B-Share markets.

As we often say at U.S. Global Investors, government policy is a precursor to change. While there has been quite a bit of negative news lately, government policy is making a significant step toward growth. We believe now's not the time to be bearish.

Analysts are only beginning to see signs of increased infrastructure spending, which should help spur growth for the remainder of the year. If you'll remember in 2011, China deliberately tightened its credit policy to stem inflation and slowed financing to local governments, says J.P. Morgan. As a result, fixed asset investment growth in infrastructure decelerated considerably, and railway investment was completely halted, decreasing nearly 20 percent on a year-over-year basis during the second half of 2011, says J.P. Morgan.

The decline in infrastructure and real estate investment on a year-over-year percentage change is clearly seen in CLSA's chart, and it's what Andy Rothman has attributed to slower growth in the world's second-largest economy:

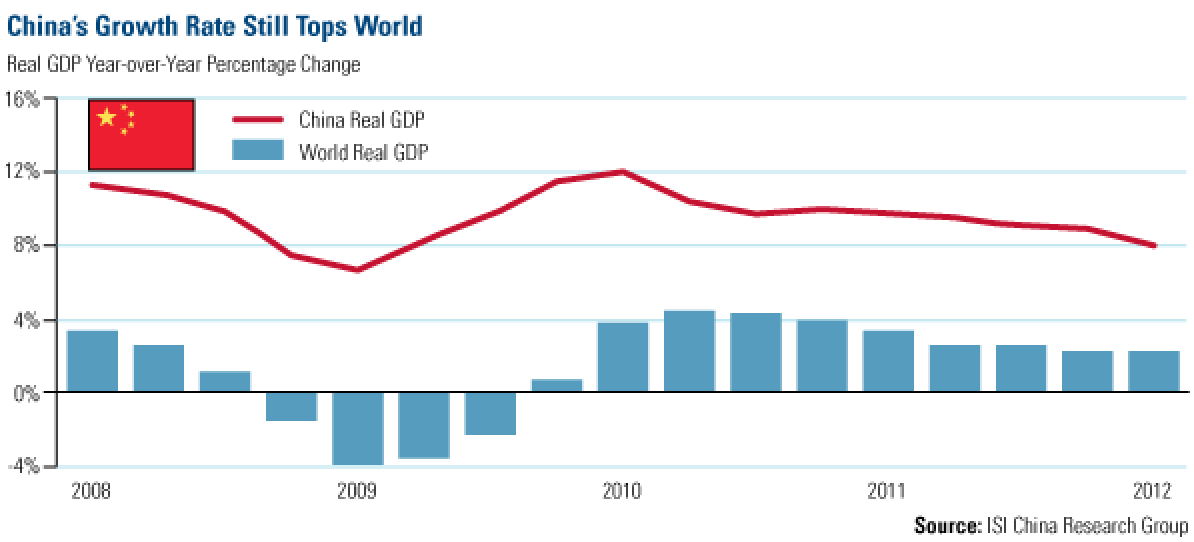



Highway infrastructure spending "increased sharply" from January through April, particularly in Western China, says J.P. Morgan. The research firm says that the economic growth rates in the Central and Western areas of the country "already outpace those of more developed coastal provinces." Fixed asset investment for infrastructure, energy development and water projects in the Central and Western regions has grown at a faster clip than in the Eastern region on a year-over-year basis.

Rail infrastructure has also picked up. As of the end of 2011, the Ministry of Railways received a credit line of more than $300 billion from banks, and plans on issuing additional railway bonds, seeking investments by pension funds and encouraging the private sector to invest, says J.P. Morgan.

With fixed asset investment in the rail sector growing 34 percent on a month-over-month basis, this government support is "starting to be translated into action," says Macquarie Commodities Research. If we see spending in railways continue to increase, China will be able to meet their full-year target, according to Macquarie.

China's GDP during the second quarter is likely to be about 7.5 percent, and the expectation for 2012 remains at 8 percent. While the country's GDP is lower than its 2010 high of 12 percent, it is helpful to put this in context with global growth. "Comparatively, it looks like strength—not weakness," reiterates ISI.




What's important for investors to realize is that the combination of a ramp up in targeted fiscal spending combined with broad-based monetary easing is a positive dynamic not only for China—but for the global economy as a whole.

*John Derrick contributed to this commentary.*

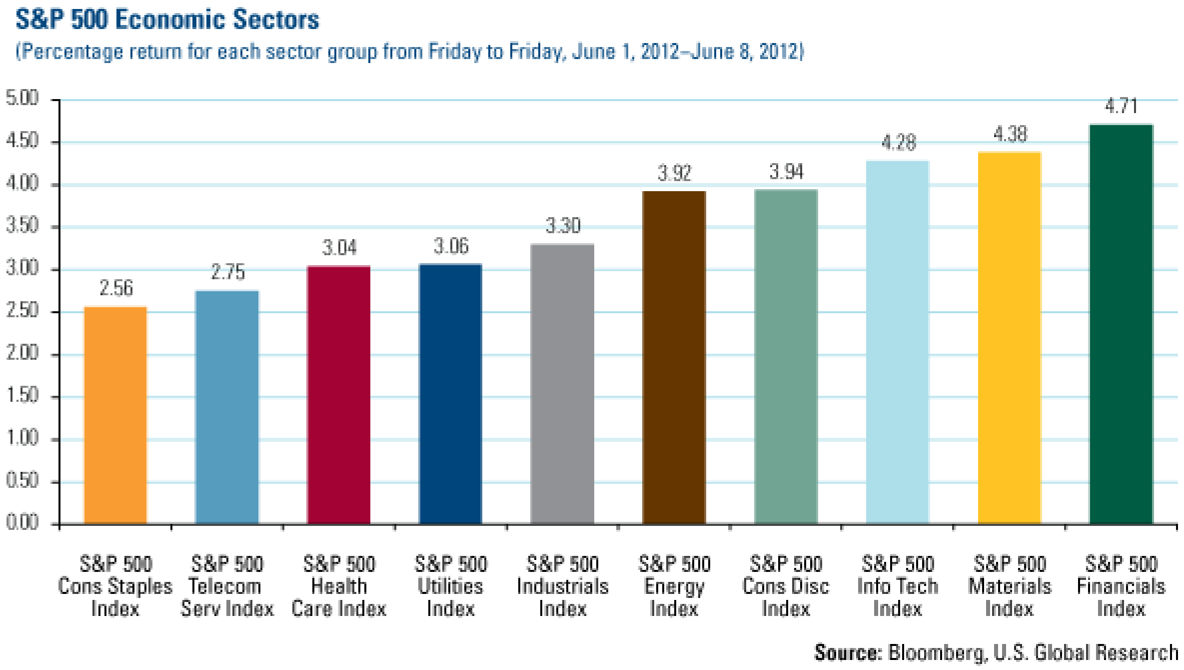

## Index Summary

- The major market indices were sharply higher this week. The Dow Jones Industrial Average rose 3.59 percent. The S&P 500 Stock Index increased 3.73 percent, while the Nasdaq Composite gained 4.04 percent.
- Barra Value outperformed Barra Growth as Barra Value rose 4.00 percent while the Barra Growth index increased 3.50 percent. The Russell 2000 closed the week with a gain of 4.31 percent.
- The Hang Seng Composite posted a loss of 0.64 percent; Taiwan fell 1.50 percent, while the KOSPI rose 0.06 percent.
- The 10-year Treasury bond yield rose sharply to 1.64 percent, rising 18 basis points for the week.

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

## Domestic Equity Market

The S&P 500 Index rose 3.73 percent this week as the global equity markets bounced on global government policy initiatives or speculation of forthcoming stimulus. Financials were the standout performers this week on hope of some resolution in Europe. Defensive sectors lagged but even the worst performer rose more than 2.5 percent.




## Strengths

- The financial sector took the lead, rising by 4.71 percent, with a diverse group of stocks leading the way. AIG, Invesco and Citigroup were the best performers in the sector, all rising by more than nine percent.
- The materials sector was not far behind with chemical names such as best performer Eastman Chemical, rising more than 9 percent.
- The best individual stock performer this week was Iron Mountain which rose 18.8 percent as the company announced it was converting to a Real Estate Investment Trust.

## Weaknesses

- The industrial distributors were the worst-performing industry group, falling by more than 3 percent for the week. Following Fastenal's disappointing May sales results, the company fell by 6.7 percent this week.
- The oil & gas services group also came under pressure this week as Halliburton fell by more than 6 percent as the company warned of lower profit margins.
- Alpha Natural Resources was the worst performer in the S&P 500 this week, falling 10.6 percent, as the company announced significant cuts to its production guidance for 2012 and 2013.

## Opportunity

- The market feels like it may be at an inflection point as Chinese authorities enacted broad-based stimulus, essentially conceding the economic slowdown required decisive action. This is a very positive step and a change in tone for China. If Europe follows through in the near future it could be the catalyst for change.

## Threat

- Stresses continue to build in Europe and missteps by policy makers could negatively impact the markets.

## The Economy and Bond Market

After hitting record lows last week, bond yields moved higher this week in what could be best described as a mini "risk on" trade. Economic data remains weak, Europe is still in turmoil and we saw interest rate cuts in China and Australia. It is somewhat counterintuitive that bonds would sell off under such a scenario but this is a similar pattern to other periods when the Federal Reserve enacted quantitative easing. The market has already priced in the easing, and by the time it actually happens, the market is already looking ahead.


### Strengths

- China surprised the market by cutting interest rates by 25 basis points on Thursday. It has been speculated the rate cut was a preemptive move, anticipating weak economic data that China is scheduled to release over the weekend.
- Australia cut interest rates by 25 basis points to 3.5 percent, which is the lowest since 2009.
- The ISM Services Non-Manufacturing Index remained solidly in growth territory in May at 53.7.

### Weaknesses

- Factory orders fell 0.6 percent in April and have been very weak so far this year.
- The eurozone Purchasing Managers' Index (PMI) in May fell to the lowest level since June 2009.
- Both the Fed and European Central Bank (ECB) did not offer any additional monetary measures for the market this week, which disappointed the markets.

### Opportunity

- Bonds continue to grind higher and appear to be forecasting benign inflation and slow growth.
- The Fed appears willing to increase monetary accommodation if necessary, which would be a boost to the bond market.

### Threat

- China's economy is slowing faster than expected and government policy makers responded this week by cutting interest rates. This likely indicates weak economic data in the near term.
- Europe remains a wildcard with austerity programs under pressure, creating significant uncertainty.



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

## Gold Market

For the week, spot gold closed at $1,593.45 down $30.65 per ounce, or 1.89 percent. Gold stocks, as measured by the NYSE Arca Gold Miners Index, beat bullion with a slight loss of 0.59 percent. The U.S. Trade-Weighted Dollar Index fell 0.54 percent for the week.

### Strengths

- The U.S. Mint reported that sales of American Eagle gold bullion coins in May rose 158 percent over the total number purchased in April. Sales of American Eagle silver bullion coins rose 89 percent in the same period. However, sales in May 2012 were down from levels attained in May 2011 for both gold and silver bullion coins. On a positive note, recent SEC filings showed George Soros has been buying gold again.
- While the gold stocks were the star performers in the prior week, silver stocks on average turned in positive gains despite a flat silver price. Lately mining stocks have been outperforming the bullion prices.
- Gold maintained its recent gains most of the week until Fed Chairman Ben Bernanke spoke before Congress on Thursday and did not affirm that the Fed was compelled to immediately start QE3, particularly in response to recent weak job numbers. Short-term traders immediately started shorting gold. Speculative interests have declined significantly over the past year with the Comex speculative open interest recently at 13.6 million ounces net long, down from 28 million ounces, so there is plenty of room for this number to grow, once the Fed or Congress is forced to scream "Uncle!"

### Weaknesses

- From recent Fed statements, some of the Federal Open Market Committee (FOMC) members appear to have warmed up to another round of QE, as some economic data has been downright disturbing as of late. When Bernanke refrained from outlining steps that the central bank may take to bolster the economy amid risk from Europe's debt crisis, gold futures tumbled the most in two months. Instead the Fed indicated it is going to assess more data before acting.
- Barrick Gold's Board of Directors announced this week that it had replaced Aaron Regent, President and Chief Executive Officer, with Chief Financial Officer Jamie Sokalky. Barrick's vision is to be the world's best

gold company by finding, acquiring, developing and producing quality reserves in a safe, profitable, and socially responsible manner. Analysts worry that the company may lower guidance.

- A Court of Appeals ruling orders the U.S. Forest Service to consult with wildlife agencies prior to granting Notices of Intent to weekend hobbyists using suction dredges to mine for gold in the Coho Salmon critical habitat in northern California. This could be bad news for all U.S. small miners and explorations working on Forest Service lands with critical wildlife habitat. This decision sets a major precedent across the western states and may render the Forest Service impotent to meaningfully address low impact mining without deferring to other agencies such as the EPA.

## Opportunities

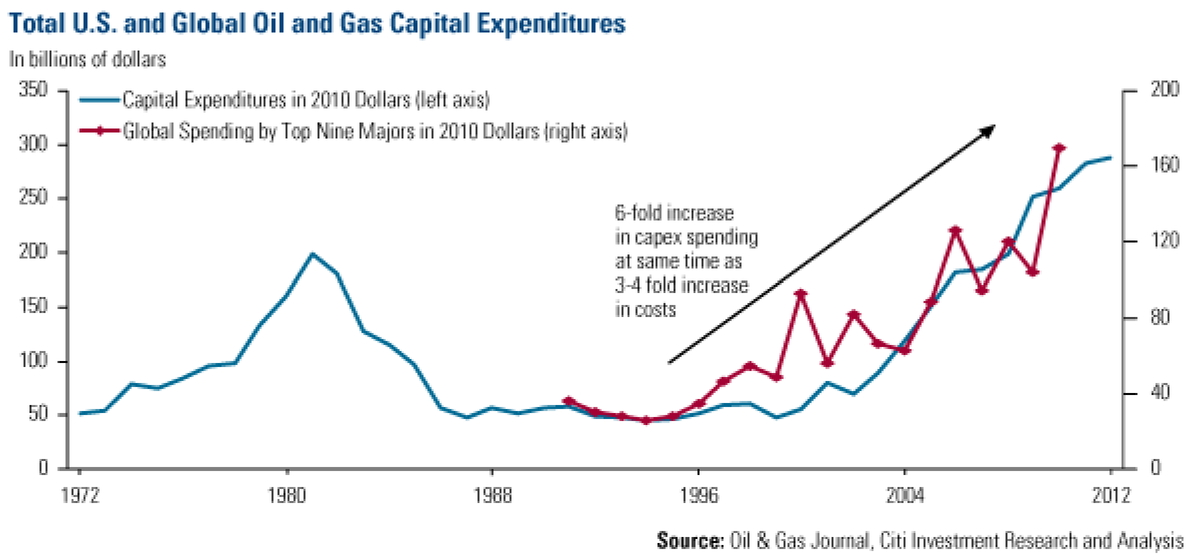
- Morgan Stanley conducted a survey of 2,019 urban and rural gold buyers across 16 Indian cities and eight Indian states. The survey report notes that Indians own 20,000 tons of gold worth $1 trillion. Respondents from several households said they expect gold prices to rise by 8 percent in 2012. The survey notes that gold is not the first asset that Indian households liquidate during bad times; it is equities. Gold remains an important asset class for investment, having outperformed most other asset classes over the past five years.
- In a recent address to the Committee for Monetary Research and Education, Bob Hoye noted policymakers are now getting margin calls on their massive experiment in government intrusion and it is likely coming to an end. In studying history, Bob sees a pattern in which the state spends, borrows, inflates and raises taxes until all of the wealth is consumed. Consequent hardship becomes widespread and forces folks to tighten their belts, who in turn, force local and federal governments to tighten theirs. Policymakers have an economic interest in maintaining the bubble but ultimately running the money printing presses cannot keep a mania going.
- Bob points out that typically in the year a bubble maxed out, gold's real price set a significant low and then increased for some twenty years thereafter. If Congress does not reach agreement on several important tax and budget policy issues before the end of this year, the impending fiscal cliff could be a big hit to GDP growth and could be sufficient enough to push the economy into recession in 2013.

## Threats

- Bernanke's remarks pointed that action is required by Congress to set the right policies to lead the country forward. Congress cannot wait to see if a third quantitative easing sets the ship right. It seems the major central bankers have agreed to a common script, pointing to the failings of fiscal policymakers (i.e., politicians). Mario Draghi of the ECB commented, "Some of these problems in the Euro area have nothing to do with monetary policy. That is what we have to be aware of and I do not think it would be right for monetary policy to compensate for other institutions' lack of action." Central bankers are trying to put pressure on their political leaders to address the root causes of the crisis which are beyond the scope of monetary policy.
- With this being an election year, we may be at an impasse with little room to compromise where brinkmanship and stand your ground may be more important than doing the right thing. Gold prices have been highly sensitive to what monetary policymakers have done for much of the past year and with low visibility towards a resolution, it could be a trader's market for the next couple of quarters with the potential for some large price moves if the stresses become acute.
- If the Fed wants to do something, it really has to be June 19-20 because the window will start to close once the election campaign moves into high gear.

Global Resources Fund - PSPFX • Global MegaTrends Fund - MEGAX

# Energy and Natural Resources Market




## Strengths

- A bounce in stocks over the last week set the Global Resources Fund in a positive direction. For another consecutive week, the fund exceeded its benchmark and the median return of its peer group due to contribution from mergers and acquisitions (M&A) in junior oil and gas stocks and a rally in gold and silver mining stocks.

- The Wall Street Journal highlighted this week that China's overseas investment surged in the first quarter to $21.4 billion as state-owned companies snapped up resource-related assets around the globe, according to a report by a private investment firm that counts China's sovereign-wealth fund among its partners.

- In a sign of relative strength in the agricultural commodities area, Monsanto Co., the world's largest seed company, will repurchase as much as $1 billion of shares as rising profit boosts the company's cash hoard to a record. The buyback program is authorized for a three-year period beginning July 1, St. Louis-based Monsanto said this week in a statement. Profit in the three months through May is expected to rise to $1.57 to $1.62 a share, topping analysts' estimates, as farmers in the U.S., Latin America and Eastern Europe bought more genetically modified crop seeds, Monsanto said.

## Weaknesses

- Caterpillar said demand from the U.S. coal-mining industry is slowing after a mild winter, Steve Wunning, Caterpillar's group president for resource industries said. "Global demand for our equipment will offset any slowdown in the U.S. as it relates to mining," Wunning said. "We don't see as much growth in the U.S. in coal as we do in other regions like China and like India," Wunning said. "The longer-term growth in the U.S. is questionable because the government is not permitting many new coal mine operations and not permitting coal-fired power plants," he added.

- According to a Reuters news report, coal's contribution to March U.S. power generation at 34 percent was at the lowest level since 1973. Low natural gas prices and record warm March weather led to coal's share in generation falling again to 34 percent and the natural gas share rising to 30 percent.

### Opportunities

- Chevron said it expects global energy demand to rise by 40 percent by 2030. It also stated that world gas consumption will increase by 60 trillion cubic feet a year.
- Macquarie Capital noted that the seaborne coking coal market is looking fundamentally better, with spot and contract prices rising as ex-China buyers return to the market.
- The People's Daily reported that the Chinese steel industry is gearing up for an expected surge in demand in the wake of a speedup in the approval of major infrastructure and industrial projects, experts said. As the State Council announced a series of policies to stimulate the economy by accelerating the approval of many important projects, including railway, energy and infrastructure construction in rural region and western China, steel industry analysts said the pipeline of new work will increase demand for steel in the long term. They expected steel prices to rebound as early as the end of this month as a result.
- Pipeline company Trans-Canada is planning a new gas pipeline to the port terminal at Kitimat. Canada's federal government is encouraging the gas developments. This builds on a decision by Shell last month to ship 1.6 billion cubic feet a day from the Kitimat terminal. The pipeline project does face a permitting process in British Columbia, but assuming it can be completed, it should reduce pressure on U.S. gas prices from Canadian imports, according to the Wall Street Journal.

### Threats

- China is seeing its steel inventory accumulate as capacity expands despite weak domestic demand and falling foreign orders and exports, partly caused by the anti-dumping investigations launched by other countries, according to the 21st Century Business Herald. The China Iron and Steel Association's data showed that as of June 1, total inventory of deformed steel bars, steel wire rods and steel plates in the country's 26 main markets was 15.62 million tons, up 1.19 million tons from last year.
- As of Wednesday, coal stockpiles stood at 8.7 million metric tons at Qinhuangdao port, China's biggest coal port in Hebei province, up 40 percent year-over-year, statistics from Wind Information show. "The inventory level is the highest so far this year," said Xiao Xinjian, industry analyst at the Energy Research Institute. "But destocking will begin as electricity demand peaks," Xiao said. Also, iron ore inventories at China's major ports have surpassed 100 million tons, compared with 90 million tons last year, according to umetal.com. "Iron ore inventories at major ports have been building up since the Lunar New Year, which is quite unusual," said Wei Hongbing, president of Tianjin Harvest International Shipping Co. These ports are almost out of space for storage, Wei added.

Frank Talk *Insight for Investors*

June 6, 2012
**Pocket of Strength: Texas Ranked Best for Business (Again)**

June 4, 2012
**Will the ECB and Fed Follow Where China Leads?**

June 1, 2012
**The Golden Wealth of Turkey**

*A Blog by Frank Holmes, C.E.O. and Chief Investment Officer*

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

## Emerging Markets

### Strengths

- The People's Bank of China (PBOC) has cut interest rates. Lending rates were cut by 25 basis points for all maturities. Deposit rates were cut by between 10 and 40 basis points. The move makes the one-year reference lending rate 6.31 percent and the one-year reference deposit rate 3.25 percent. However, banks have also been given increased flexibility to pay deposit rates up to 10 percent above the reference (previously the reference rate was a ceiling) and make loans at rates up to 20 percent below the reference (previously the floor was 10 percent below).

- Chinese banks lent almost 800 billion Yuan in May, Economic Information Daily reports.
- China HSBC Services PMI was 54.7 versus 54.1 in the prior month, indicating retail and services still in an expanding stage.
- The Philippine economy expanded by 6.4 percent year-over-year in the first quarter of 2012, beating expectations with strong services growth of 8.5 percent amid an improving domestic outlook.

## Weaknesses

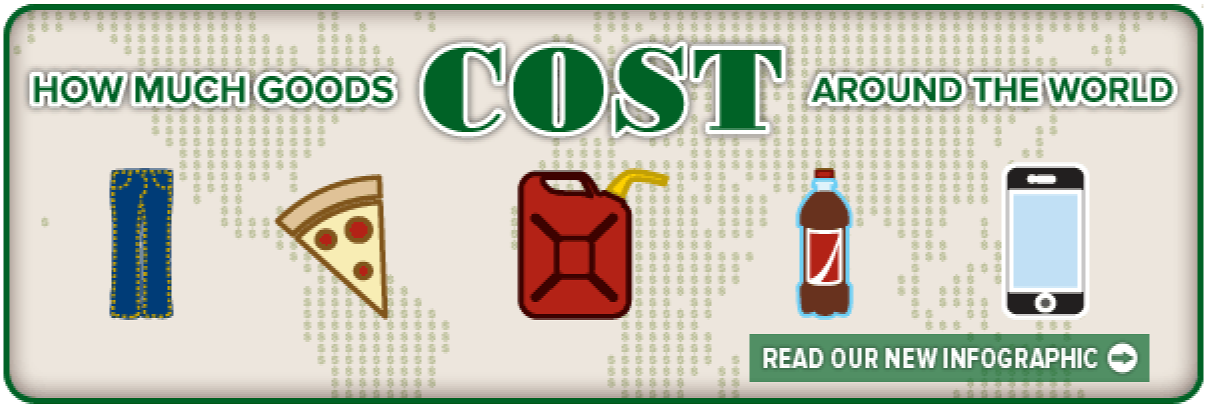
- While the market praised the progress the PBOC has made in liberalizing interest rates by widening the band where the banks can deviate lending and deposit rates from the reference rates, it almost unanimously agreed this squeezes the banks' profit margin. In fact, there are a couple of reasons that the margin pressure will be much smaller than the market would believe. Those money center banks have a dominant franchise in China and so they can resist reducing lending rates and increasing deposit rates. For depositors, safety is more important than earnings from the deposits. Besides, bank customers place more than 50 percent of their money in demand deposits with large banks, which pay very little interest and provide banks with cheap money.
- Malaysia's exports unexpectedly fell in April for a second straight month, dropping 0.1 percent as shipments of electronics and palm oil dropped.
- Lackluster external demand is weighing on the Israeli economy, and weak data have led the broad market index (BMI) to revise down the 2012 real GDP growth forecast from 3.2 percent to 2.9 percent.

## Opportunities

- India's external weaknesses are starting to correct. The country's trade shortfall came in at $13.5 billion in April, down from $15.2 billion in February and $19.6 billion in October 2011. Lower global commodity prices and the weaker currency are likely to lead to a further narrowing of the trade deficit in the coming months.
- The Colombian peso has a potential to further strengthen in the short term, points out Business Monitor International as companies bring in U.S. dollars from abroad to pay annual taxes due on June 25.
- China cut benchmark lending and deposit rates by 25 basis points on Thursday. Historically, such a move will drive up liquidity and the stock market in Hong Kong and in the domestic B share market, as the chart shows.

## Threats

- In spite of the interest rate cut on Thursday evening by the PBOC, both Hong Kong and China domestic A share markets went down on Friday. This indicates that the market is worried about the economic data to be released over the weekend. Also, the rate cut of 25 basis points is not to reverse the economic slow-down in China in the short term, but infrastructure investment and government fiscal spending will.
- The Russian central bank feels increasingly uncomfortable with the recent weakening of the ruble. The central bank has now started to intervene on the open market by selling its foreign currency reserves. So far, this intervention, which is partly responsible for a $10 billion decline in foreign reserves in May, had little success in reversing the decline in the ruble.




## 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 (%) |
|---|---|---|---|
| S&P/TSX Canadian Gold Index | 321.17 | -6.09 | -1.86% |
| Gold Futures | 1,595.20 | -26.90 | -1.66% |
| XAU | 162.10 | -0.61 | -0.37% |
| Korean KOSPI Index | 1,835.64 | +1.13 | +0.06% |
| Hang Seng Composite Index | 2,549.45 | -16.47 | -0.64% |
| S&P Basic Materials | 218.12 | +9.16 | +4.38% |
| DJIA | 12,554.20 | +435.63 | +3.59% |
| S&P BARRA Growth | 720.90 | +24.41 | +3.50% |
| S&P 500 | 1,325.66 | +47.62 | +3.73% |
| S&P BARRA Value | 597.65 | +22.97 | +4.00% |
| Nasdaq | 2,858.42 | +110.94 | +4.04% |
| Russell 2000 | 769.19 | +31.77 | +4.31% |
| S&P Energy | 484.73 | +18.29 | +3.92% |
| Oil Futures | 84.32 | +1.09 | +1.31% |
| Natural Gas Futures | 2.31 | -0.02 | -0.82% |
| 10-Yr Treasury Bond | 1.64 | +0.18 | +12.59% |

### Monthly Performance

| Index | Close | Monthly Change ($) | Monthly Change (%) |
|---|---|---|---|
| S&P/TSX Canadian Gold Index | 321.17 | +30.06 | +10.33% |
| Natural Gas Futures | 2.31 | -0.16 | -6.41% |
| XAU | 162.10 | +8.64 | +5.63% |
| Gold Futures | 1,595.20 | -1.30 | -0.08% |
| Korean KOSPI Index | 1,835.64 | -114.65 | -5.88% |
| S&P BARRA Growth | 720.90 | -12.60 | -1.72% |
| DJIA | 12,554.20 | -280.86 | -2.19% |
| S&P 500 | 1,325.66 | -28.92 | -2.13% |
| S&P BARRA Value | 597.65 | -16.16 | -2.63% |

| | | | |
|---|---|---|---|
| S&P Basic Materials | 218.12 | -4.28 | -1.92% |
| Russell 2000 | 769.19 | -19.73 | -2.50% |
| Nasdaq | 2,858.42 | -76.29 | -2.60% |
| S&P Energy | 484.73 | -21.43 | -4.23% |
| Hang Seng Composite Index | 2,549.45 | -332.01 | -14.83% |
| Oil Futures | 84.32 | -12.49 | -12.90% |
| 10-Yr Treasury Bond | 1.64 | -0.19 | -10.31% |

## Quarterly Performance

| Index | Close | Quarterly Change ($) | Quarterly Change (%) |
|---|---|---|---|
| Gold Futures | 1,595.20 | -121.70 | -7.09% |
| S&P BARRA Growth | 720.90 | -15.84 | -2.15% |
| Natural Gas Futures | 2.31 | -0.02 | -0.73% |
| DJIA | 12,554.20 | -367.82 | -2.85% |
| S&P 500 | 1,325.66 | -45.21 | -3.30% |
| Nasdaq | 2,858.42 | -129.92 | -4.35% |
| Russell 2000 | 769.19 | -47.81 | -5.85% |
| S&P BARRA Value | 597.65 | -29.17 | -4.65% |
| Korean KOSPI Index | 1,835.64 | -182.66 | -9.05% |
| S&P Basic Materials | 218.12 | -13.40 | -5.79% |
| S&P/TSX Canadian Gold Index | 321.17 | -38.70 | -10.75% |
| Hang Seng Composite Index | 2,549.45 | -389.01 | -13.24% |
| S&P Energy | 484.73 | -66.07 | -12.00% |
| XAU | 162.10 | -24.75 | -13.25% |
| Oil Futures | 84.32 | -23.08 | -21.49% |
| 10-Yr Treasury Bond | 1.64 | -0.39 | -19.37% |

*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 03/31/12:
AIG: 0.00%
Invesco: 0.00%
Citigroup: 0.00%
Eastman Chemical Co.: All American Equity Fund 0.93%
Iron Mountain Inc.: All American Equity Fund 0.93%
Fastenal: 0.00%
Halliburton: 0.00%
Alpha Natural Resources: 0.00%
Barrick Gold Corp.: Gold and Precious Metals Fund, 3.89%; World Precious Minerals Fund, 0.81%
Monsanto Co.: Global Resources Fund, 2.04%
Caterpillar: 0.00%
Chevron: 0.00%
Trans-Canada: 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.
The Bloomberg Gold Bear/Bull Sentiment Indicator charts the percent of respondents in a weekly Bloomberg News survey of traders, investors, and analysts predicting gold prices will rise the following week. The number of participants in the survey, which is completed every Friday, may vary.
The NYSE Arca Gold Miners Index is a modified market capitalization weighted index comprised of publicly traded companies involved primarily in the mining for gold and silver.

The S&P/TSX Global Gold Index is an international benchmark tracking the world's leading gold companies with the intent to provide an investable representative index of publicly-traded international gold companies.
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 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 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 ISM Services Non-Manufacturing Index is a national non-manufacturing index based on a survey of roughly 370 purchasing executives in industries including finance, insurance and real estate (or FIRE), communications and utilities. This sister of the Purchasing Managers' Index measures service-sector activity.
The HSBC China Services Purchasing Managers Index is a private-sector survey of service industry firms.
The Israel Broad Market Index includes a broad range of stocks listed on the Tel Aviv Stock Exchange.
The MSCI China Index provides coverage of the large and mid cap segments in the China market.

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