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U.S. Global Investors

Investor Alert

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Light at the End of the Tunnel for Gold

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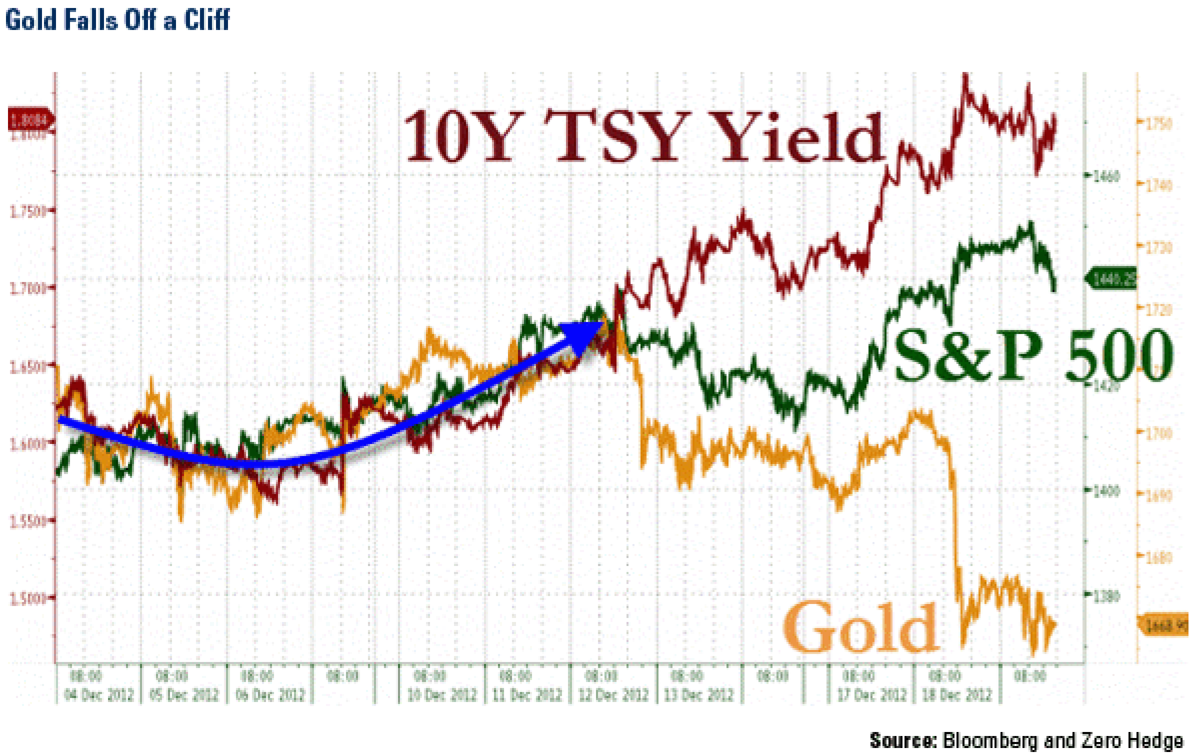
Intuition was telling me something was going on these past few days in the gold market. Our investment team was watching gold and gold stocks take a tumble for no obvious reason. It wasn't only us who felt this way: many analysts were caught off-guard. One comment from Barclays Research indicated that the week was unusually "brutal ... with quite a few confused participants with some seemingly positive aspects of the market not having an impact."

My hunch was realized only days later when Zero Hedge posted that Morgan Stanley Wealth Management recommended that its clients dump two of John Paulson's funds. As MS clients redeemed their shares, the hedge fund giant became a forced seller of gold and gold stocks.

What complicates the gold market is the fact that Paulson is such a big fan of the yellow metal that he offers a "gold share class" to investors, meaning shares are denominated in physical gold. The drawback is when an investor redeems shares, his firm has to convert from gold back to dollars, which forces him to sell his hedged position in the SPDR Gold Shares ETF (GLD). The unfortunate consequence of his actions is a short-term decline in the gold price as the market adjusts.

The chart below highlights how gold, the S&P 500 Index and the 10-Year Treasury yield were plodding along together, until December 12, when the metal dramatically dropped off. This is possibly the day "Paulson may have gotten the redemption fax," says Zero Hedge.



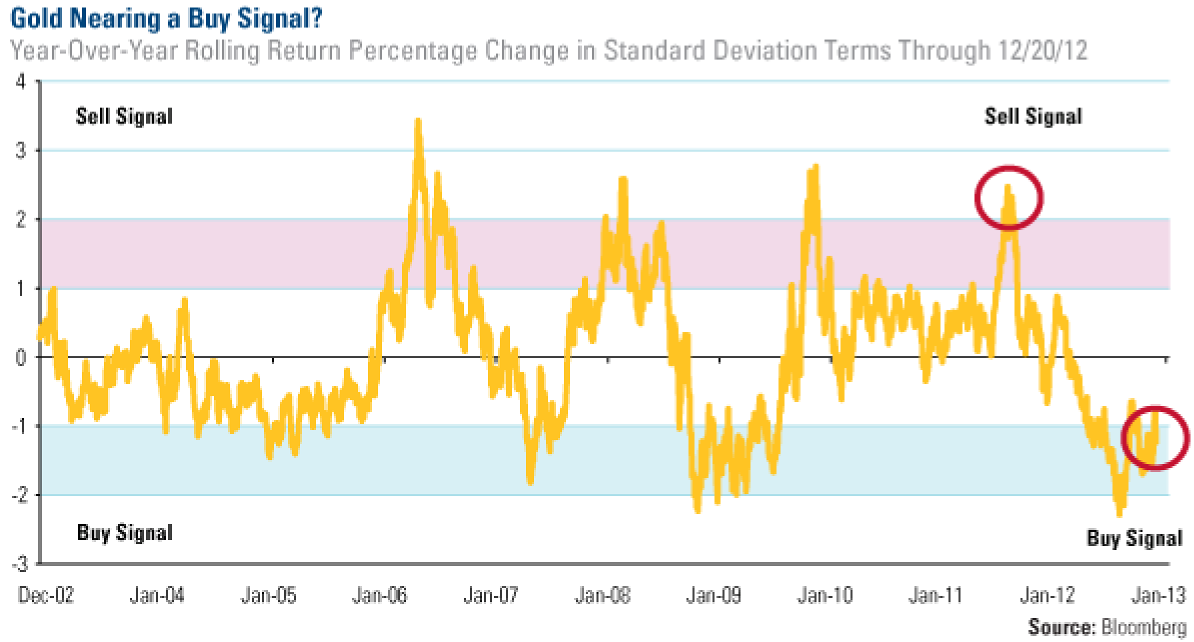
Paulson is only one high-profile example of a stream of hedge fund managers who have suffered liquidations this year. Much to our chagrin, gold and the gold mining industry have been on the wrong side of these trades.

The metal also took a hit recently when a large investor, or a group of investors, made a negative bet on gold futures, with a speculative put position from January to February nearly doubling in size. Credit Suisse suggests it may be the action of a hedge fund.

Paulson's loss can be your gain. At U.S. Global Investors, we study probability and statistical models to help us improve our odds in the market. It's like counting cards in Vegas—there's no guarantee you'll hit the jackpot, but you usually improve your odds if you understand the math of probabilities and place your bets accordingly.

One of our favorite charts is the oscillator which shows the probability of gold returning to its mean after a dramatic rise or fall. We believe it helps investors put the current correction in context with historical moves and determines potential buying and selling opportunities.

Based on the last 10 years of data, gold seems to be approaching an oversold position after this latest correction. In standard deviation terms, the percentage change in year-over-year rolling returns, gold has made a downward move of 1.2 standard deviations. An event like this only happens about 10 percent of the time, with high odds favoring a reversion to the mean.



Life is about managing expectations. With gold and gold stocks, there will be short-term anomalies, such as hedge funds' liquidation. Another historical difference for gold stocks relates to the presidential election year cycle. As we have mentioned before, gold miners tend to perform poorly in the year of a U.S. presidential election.

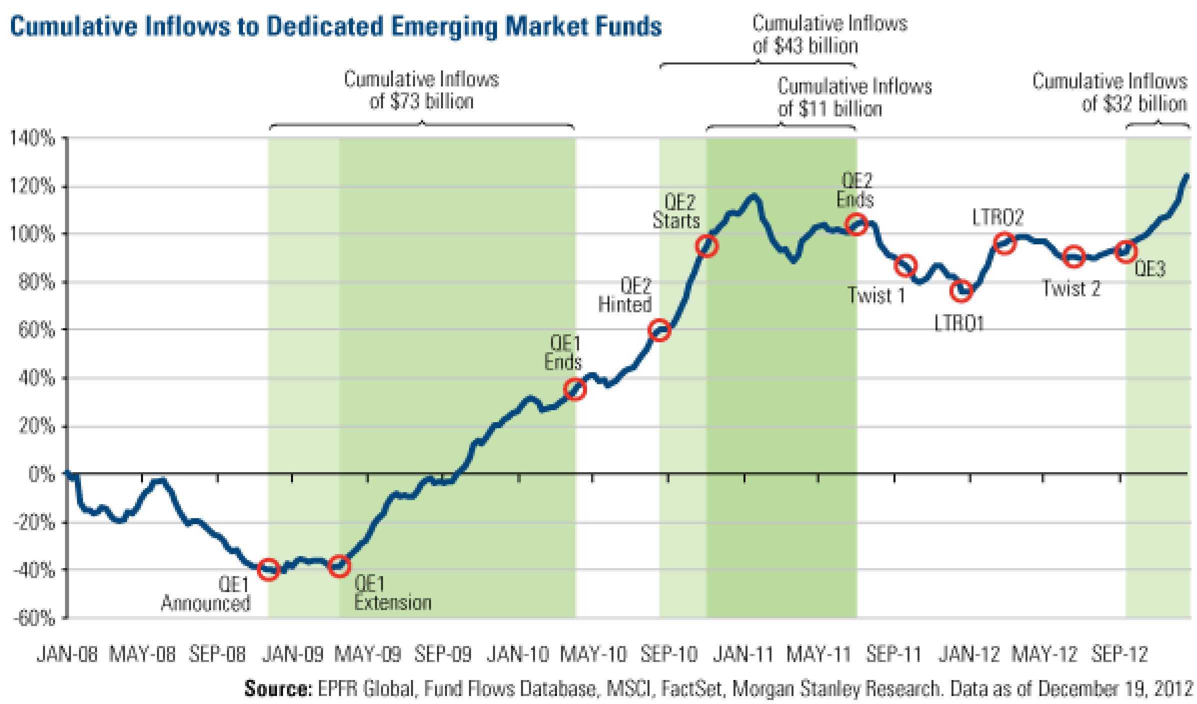
Regardless of which party is in the White House and which party wants to take it back, going back to 1984, the Philadelphia Stock Exchange Gold and Silver Index (XAU) has declined an average of 18.4 percent in the year Americans are busy thinking about voting for a leader.

It's not the end of the world for gold and gold stocks. Take a look at what happens the year following a U.S. presidential election: Going back to 1985, the XAU historically has increased substantially in post-election federal years, rising 23.4 percent, on average.

With governments lacking courage for fiscal discipline, I expect that interest rates will remain in negative territory for a long time. Central bankers will continue to keep the printing presses warm as policies aren't expected to change. I believe this will keep the Fear Trade buying gold throughout 2013.

In addition, emerging market central banks have been diversifying into gold. Net official sector purchases of 425 tons year-to-date is a drastic difference compared to only a few years ago when central banks were net sellers of the precious metal. Only recently, UBS reported that in November, Russia purchased nearly 3 tons of gold and Brazil bought almost 15 tons. Iraq—a notable new buyer—bought 25 tons from August through October. Given that this is the country's first increase since the early 2000s, "having a new buyer in the central bank space and especially from a new region is an important development," says UBS.

While the Love Trade has been subdued this year, we see light at the end of the tunnel, not a train. One recent development is the increase in mutual fund flows of $32 billion into emerging markets since the announcement of the third round of quantitative easing (QE) in the U.S. This appears to be a powerful precursor for a stronger 2013, which would reignite the Love Trade in China and India.



As we head into the final days of the year, I'd like to take this opportunity to thank our faithful readers for following, reading and sharing our thoughts on the markets. We appreciate your confidence and trust and look forward to a prosperous new year.

Here's wishing you and your loved ones a very safe and joyful holiday season!

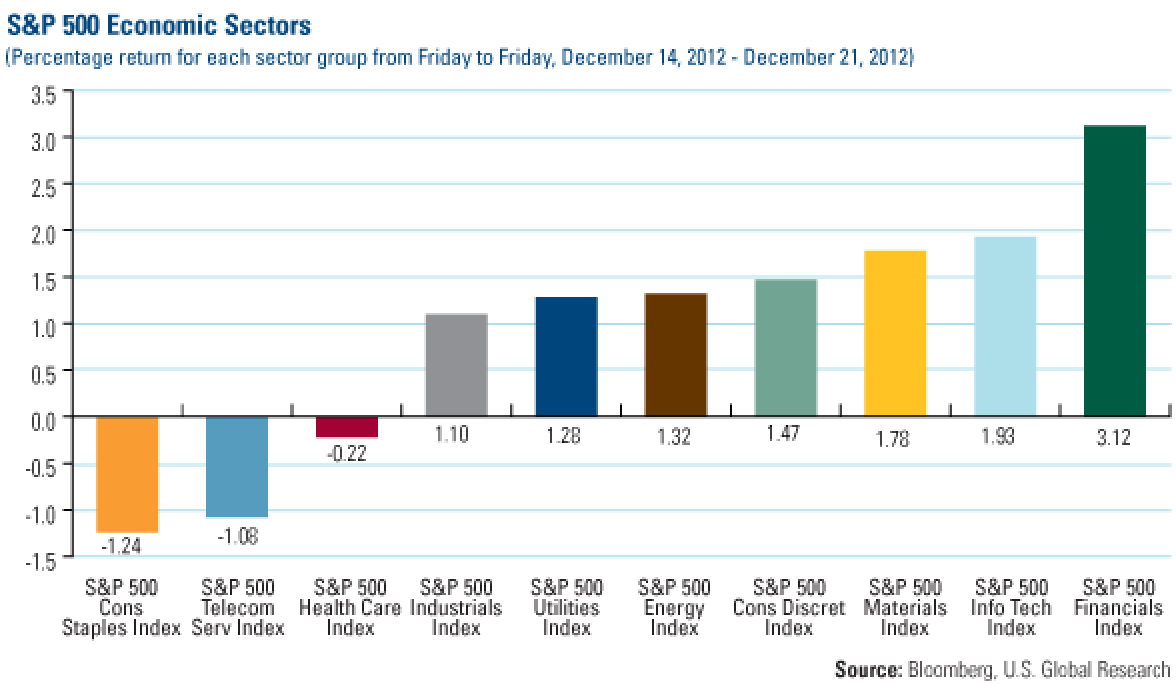
Index Summary

- The major market indices finished higher this week. The Dow Jones Industrial Average gained 0.43 percent. The S&P 500 Stock Index increased 1.17 percent, while the Nasdaq Composite gained 1.67 percent. The Russell 2000 small capitalization index closed the week with a 2.93 percent gain.
- The Hang Seng Composite declined 0.40 percent; Taiwan lost 2.32 percent, while the KOSPI fell by 0.73 percent.
- The 10-year Treasury bond yield rose 6 basis points this week, to 1.764 percent.

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

Domestic Equity Market

The S&P 500 Index managed to finish the week in the positive territory with a gain of 1.17 percent, amid all the noise from fiscal cliff-related news flow.



Strengths

- Cyclical sectors outperformed this week, with financials, technology and materials comprising the top three. The rally in financials was driven by mergers and acquisition activity in stock exchanges as well as better investor sentiment toward Wall Street banks after several broker upgrades. NYSE Euronext was up 37.5 percent, the best performing stock in the S&P 500 this week, as IntercontinentalExchange agreed to acquire it for $8.2 billion.

- Computer storage companies led the technology sector higher for the week, with Western Digital and Seagate both up over 10 percent as investors expected a modest recovery in memory sales in the fourth quarter.
- Footwear was the best industry group for the week, as Nike gained 8.4 percent after delivering better-than-expected earnings thanks to strong sales in North America.

Weaknesses

- Noncyclical sectors including consumer staples, telecommunications and health care underperformed this week.
- Home entertainment software fared the worst among all industry groups, as Electronic Arts declined 9.2 percent and was the worst performer in the S&P 500 for the week on concerns of rising public scrutiny of video game makers in the wake of the violent tragedy at a school in Newtown, Connecticut.
- Frontier Communications lost 6.9 percent for the week, the worst name in the telecommunications sector, as the company's chief financial officer resigned.

Opportunity

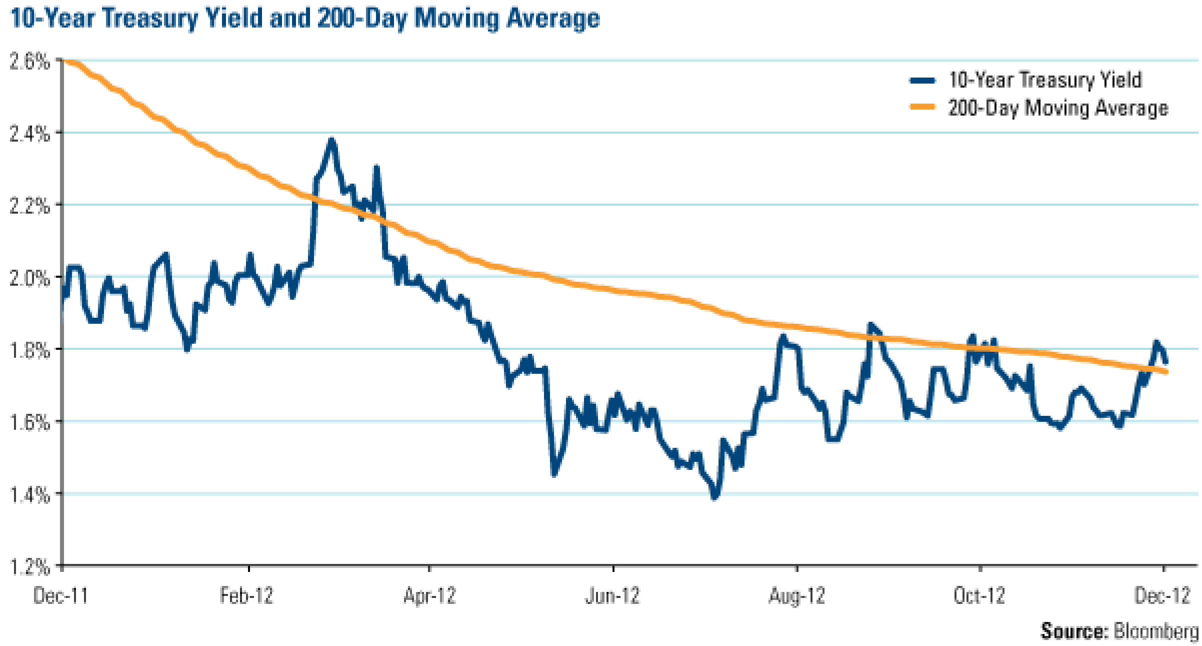
- If no deal is reached in time to overcome the "fiscal cliff," the Federal Reserve may be forced to introduce more easing measures to at least partly offset the negative impact on the economy from fiscal stringency.

Threat

- Regardless of the eventual outcome of the "fiscal cliff" negotiations, the dysfunctional political process offers little hope for the U.S. to regain its AAA-credit rating. More downgrades may not appeal to domestic equity investors if 2011 was a guide.

The Economy and Bond Market

Treasury bond yields tested the 1.8 percent level for the fourth time in five months, but declined toward the 200-day moving average of 1.75 percent following news that "fiscal cliff" concerns may extend into the New Year.



Strengths

- The National Association of Home Builders/Wells Fargo Index of builder confidence increased to 47, the highest since April 2006, adding to signs the real estate market is aiding the economic expansion.
- Home re-sales rose sharply in November to their fastest pace in three years, a sign the recovery in the housing market is gaining steam. The National Association of Realtors said on Thursday that existing home sales climbed 5.9 percent last month to a seasonally adjusted annual rate of 5.04 million units.
- Real gross domestic product increased at an annual rate of 3.1 percent in the third quarter of 2012, according to the "third" estimate released by the Bureau of Economic Analysis. In the second quarter, real GDP increased 1.3 percent.

Weaknesses

- The December 2012 Empire State Manufacturing Survey indicates that conditions for New York manufacturers continued to decline at a modest pace. The general business conditions index was negative for a fifth consecutive month, falling three points to -8.1.
- The Mortgage Bankers Association said its seasonally adjusted index of mortgage application activity, which includes both refinancing and home purchase demand, fell 12.3 percent in the week ended December 14.
- U.S. home building contracted in November after surging the previous two months, but permits rose to the highest level in more than four years.

Opportunity

- The central bank indicated in its latest meeting that it expects to keep the federal funds rate near historic lows until late 2014 – an extension from the Fed's original pledge to keep rates low through mid 2013.
- Homebuilding is expected to add to gross domestic product growth this year for the first time since 2005. Though home construction accounts for only about 2.5 percent of GDP, economists estimate that for every new house built, at least three new jobs are created.

Threat

- The "fiscal cliff" is front and center on the radar of investors and if a compromise cannot be reached, that would be a negative for the market and economy.
- Europe appears to be on the verge of another crisis, but policy-makers continue to bicker, just adding to the uncertainty.

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

Gold Market

For the week, spot gold closed at $1,657.25, down $38.85 per ounce, or 2.29 percent. Gold stocks, as measured by the NYSE Arca Gold Miners Index, fell 2.83 percent. The U.S. Trade-Weighted Dollar Index gained just 0.05 percent for the week.

Strengths

- All the senior gold mining companies surveyed by PwC intend to pay cash dividends next year, while 28 percent of junior/mid-tier gold miners intend to offer a dividend, and overall most see a better gold price in 2013. John Gravelle, PwC mining leader for Canada and the Americas, said, "Gold miners are adamant about proving to the market that they're once again a good investment – not just for the interim – but for the long term. There's been a shift in focus with gold executives concentrating on the bottom line – specifically focusing on the rate of return per ounce produced."

- JP Morgan wrote that it believes investors should have confidence in gold's real value. Tutankhamen's gold is still valuable after 3,344 years, but currencies have come and gone. The gold equities are more complex as they transition from offering gold optionality to a new focus on cash flow and yield. We believe the equities are offering value, but investors have to be convinced prospective yields are sustainable.

- The United Nations Security Council approved the deployment of an African force to retake northern Mali from extremists linked to al-Queda, along with training and equipment for Malian soldiers. This should be positive for Randgold which has operations in the southern part of Mali. While there was no formal discussion of Western nations sending forces, the French are already running covert missions to wear down the Islamists and lay the groundwork for intervention. "It would be naïve to think that France and the U.S. do not already have military assets in the region doing what such forces do, in readiness for an order to escalate their operations," said Jolyn Ford, senior analyst at Oxford Analytica, a U.K.-based consulting firm.

Weaknesses

- Rubicon Minerals announced that it was informed via media reports that the Wabauskang First Nation (WFN) intends to file a lawsuit against the Phoenix Project located in Red Lake, Ontario. The First Nation is asserting through the media that the Ontario government does not have the jurisdiction necessary to grant mining permits on traditional territory and that mine permitting falls under the auspices of the federal government.

- Tax loss selling in Canada and the U.S. will still continue through December 26, as investors try to lock in losses to offset any gains.

- Index rebalancing may have played a role in knocking share prices on Friday. With Friday's price action, Jaguar Mining was down 20 percent, Golden Star 19 percent and San Gold 18 percent.

Opportunities

- Dennis Boyko of Goldminer Pulse recently contrasted Rio Alto Mining against Yamana Gold on his website. Rio Alto has an average ore value per ton of $33.69 while the same metric for Yamana Gold is $41.52. On a valuation basis, however, Rio Alto has a market capitalization per ounce of gold equivalent of $66.26 while Yamana Gold has a market capitalization per ounce of gold equivalent of $281.02.

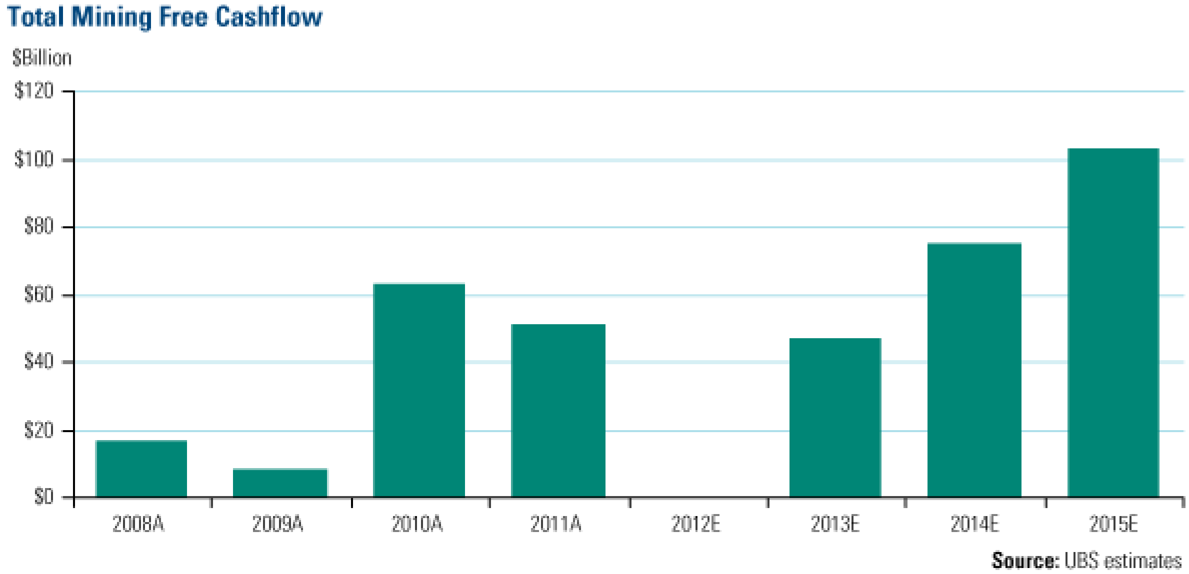
- Rio Alto's valuation in the current market continues to look attractive relative to Yamana Gold, an established, widely followed, gold/copper producer, which is comparable on a metric basis. Given a positive overall outlook for gold/copper deposits in the current market, Rio Alto offers investors exposure to these metals at cheaper prices than the market darling Yamana.
- Shares of gold-mining companies have become a relatively cheap alternative to buying the metal they produce, according to Jack Ablin, chief investment officer at BMO private Bank who studies the ratio of the NYSE Arca Gold Miners Index to the price of gold. The ratio was recently 0.75, close to this year's low of 0.70 on May 15. The earlier figure was the lowest since November 2008, when a financial crisis tied to the U.S. housing market's collapse sent stocks and gold tumbling.

Threats

- Going into year end it appears that certain players are trying to take gold lower. We have seen several sharp moves that almost always occur just prior to the trading pit opening, which is a time frame when the algorithms tend to dominate the market. The bullion banks typically need only a minute – as their algorithms quickly trade tens of thousands of Comex futures contracts – in order to induce a dramatic shakeout of weak long positions. Basically, only a very deep-pocketed entity, cartel, or bullion bank aided by an intimate knowledge of where the sell-stops are located could make this happen with the help of algorithmic trading.
- A Senator and Congressman from New Mexico remarked this week that "U.S. taxpayers receive no royalties on metals pulled from federal land," and suggested "applying a metals levy of 12.5 percent – the benchmark government share for other resources – could deliver hundreds of millions of dollars a year to taxpayers."
- Scotia Bank cautioned that not enough attention has been paid to the new challenges associated with advancing copper projects in Chile and Peru. These two countries currently produce about 40 percent of global mine supply. Supply risk should be top of mind as these two giant suppliers wrestle with domestic issues and strike a balance between the benefits of mining investment and concerns of local stakeholders. We estimate that approximately $57 billion of mining investment is now delayed or deferred in Chile and Peru. Permitting and power risks in addition to low project returns are the key reasons behind the deferrals.

Global Resources Fund - PSPFX • MegaTrends Fund - MEGAX

Energy and Natural Resources Market



Strengths

- World crude steel production for the 62 countries reporting to the World Steel Association was 122 million tons in November 2012, an increase of 5.1 percent compared to November 2011.
- The copper market remains supported by supply problems and a global supply deficit. The world refined copper market was in a 594,000-tons deficit from January to September, compared with a deficit of 74,000 tons in the same period a year ago, according to data from the International Copper Study Group (ICSG). World production of refined copper amounted to 14.808 million tons in the first nine months of the year, which compared with usage of 15.402 million tons, the ICSG said.
- In precious metals, platinum group metals continue to outperform gold and silver as supply disruptions support the price. Workers at Lonmin's Marikana mine in South Africa have threatened to strike once again after the company reneged on its commitment to grant them a 22 percent wage increase and a one-off 22 percent bonus payment, Independent Online reported. However, the company's spokeswomen said that Lonmin did not break its promise and that Lonmin's current wage structure is an amended deal signed by the workers' union in September.

Weaknesses

- It’s been a tough year for mining and steel companies. Vale said it will book a $4.2 billion fourth-quarter charge after lowering the valuation of a nickel mine and its stake in aluminum producer Norsk Hydro. Vale will take a $2.85 billion pretax write-down on its Brazilian nickel project Onca Puma after operations stopped and prices for the metal declined, the company said in a statement this week. It said it will also recognize a $1.3 billion pretax impairment on its 22 percent stake in aluminum maker Norsk Hydro.
- ArcelorMittal, the world’s largest steel maker, has announced that it expects to write down the goodwill in its European business by $4.3 billion following the completion of its yearly goodwill impairment test. This will be a non-cash impairment charge due to a weaker macro and market environment in Europe, and the expectation that this will persist over the near and medium term.
- Japan’s liquefied natural gas imports fell by 4.5 percent year-over-year to 6.67 million tons last month as buyers limited purchases of the heating fuel amid forecasts for milder winter weather and higher prices, the finance ministry said. The total LNG imports rose 11.5 percent to 79.5 million tons for the first 11 months of this year.

Opportunities

- A coal power station in Asia is poised to rebound in 2013 from the steepest annual decline in seven years as utilities in China and the U.S. burn more of the fuel to feed their growing economies. Thermal coal at the Australian port of Newcastle may average $98 a metric ton next year, according to the median estimate of seven analysts in a Bloomberg News survey this month. Prices have slipped 19 percent to $90.30 a ton this year, the biggest drop since 2005, even after rallying 10 percent last month, data from

IHS McCloskey show. China's imports of thermal and steelmaking coal climbed to a record in November, the China Coal Transport & Distribution Association said this week.

- Coal will nearly overtake oil as the dominant energy source by 2017, and only a drop in world gas prices could curb the use of the dirtier fossil fuel in the absence of high carbon prices, the International Energy Agency (IEA) said. The IEA, the energy agency for developed countries, said earlier this year that without a major shift away from coal, average global temperatures could rise by 6 degrees Celsius by 2050, leading to devastating climate change. China will use more coal than the rest of the world put together, while India will overtake the United States as the world's second-largest consumer and become the biggest global importer, the Paris-based IEA forecasts in its annual Medium-Term Coal Market Report, released earlier this week.

Threats

- From South Africa, a Reuters report suggests that the African National Congress draft policy rejects calls for nationalization of the country's mines and instead proposes a levy of 50 percent over a "reasonable return" for the mining companies. The tax is not expected to impact marginal and junior miners. The draft also recommends increasing the supply of competitively priced coal to contain energy costs.

- A global aluminum surplus may expand 22 percent next year, led by production expansion in China, the Middle East and India, the trading company Marubeni Corp. said. The excess is expected to widen to 202,000 metric tons from 165,000 tons estimated for this year, Marubeni said in a report today. Growth in supply will accelerate to 6.6 percent next year from 3.2 percent, as troubles in smelters in South Africa and North America are resolved and producers in China, India and the Middle East will keep expanding capacity, the report said.

- South Africa is drawing up laws to force platinum and iron ore mining companies to sell "small amounts" of production to local processors at a discount to diversify its economy, a top trade ministry official said on Wednesday. The idea is to encourage more domestic metal processing and grow industries such as platinum fuel cell production and auto manufacturing in order to create new jobs, said Lionel October, director-general of the Ministry of Trade and Industry.

Emerging Markets

Strengths

- China will maintain a proactive fiscal policy and prudent monetary policy in 2013, according to a statement issued last Sunday after the closure of a two-day central economic work conference. China also has set its initial target for economic growth at 7.5 percent for a second year and tightened its inflation goal to the lowest level since 2010 at 3.5 percent, and has a new loan target of Rmb 9 trillion, indicating further room for easing monetary policy, Shanghai Securities News reported.

- China's power consumption growth in November was up 7.6 percent year-over-year and generation growth was up 7.9 percent year-over-year from October consumption growth of 6.4 percent and generation of 6.1 percent. Power consumption in China is a leading indicator of industrial activities.

- In the first two weeks of December, China's passenger vehicle sales rose 24 percent year-over-year and

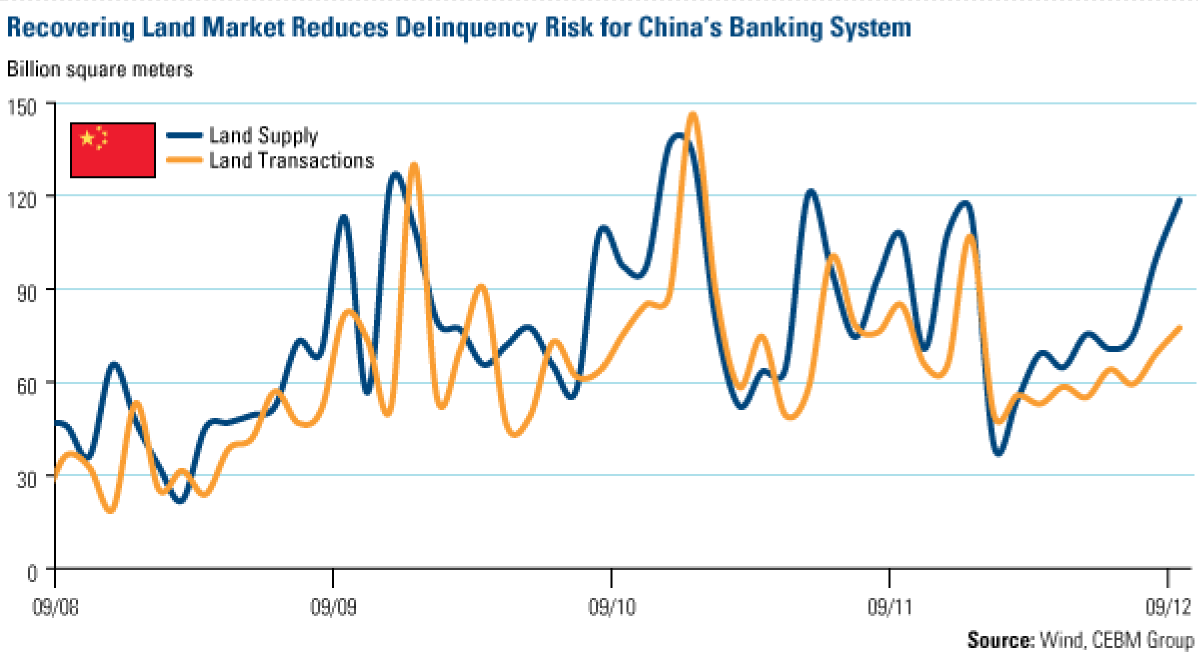
22 percent month-over-month. European and U.S. brands grew 42 percent year-over-year, Korean and local brands rose 37 percent and 38 percent, respectively, but Japanese brands fell 17 percent.

- CITIC Securities International's weekly research showed housing sales in first-tier cities rose 12 percent year-over-year. The study also found overall housing supply and demand in China are in equilibrium with first-tier cities being short in supply, but lower-tier cities having more supply than current demand.
- Sales in the air conditioner sector in China were up 11 percent year-over-year in November, with domestic sales up 6 percent and exports up 20 percent. As housing transactions go up, domestic sales usually follow with a lag of a couple of months. In addition, Chinese home appliance manufacturers are increasing their international market share as their competitiveness increases.
- China's big four banks lent Rmb 79 billion in the first 16 days in December, 21st Century Business Herald reported.
- Hong Kong's November unemployment rate was 3.4 percent, in line with market expectations.
- The Philippines' remittances rose 8.5 percent in October, sending a positive early signal for strong private consumption growth in the fourth quarter.

Weaknesses

- China's actual foreign direct investment (FDI) in November fell 5.4 percent versus the estimated -3.1 percent, indicating China's investment return is declining.
- Malaysian November car sales were down 4 percent month-over-month after a spike of 20.7 percent in October.
- Taiwan kept its benchmark interest rate unchanged at 1.875 percent.
- India also kept its benchmark rate unchanged.
- Chinese officials restated their commitment to keeping property prices stable, meaning no policy loosening on the housing purchase limit.
- Singapore's non-oil domestic exports declined 0.3 percent month-over-month in November after contracting 1.2 percent in October. The market doesn't expect the situation to improve soon.

Opportunities

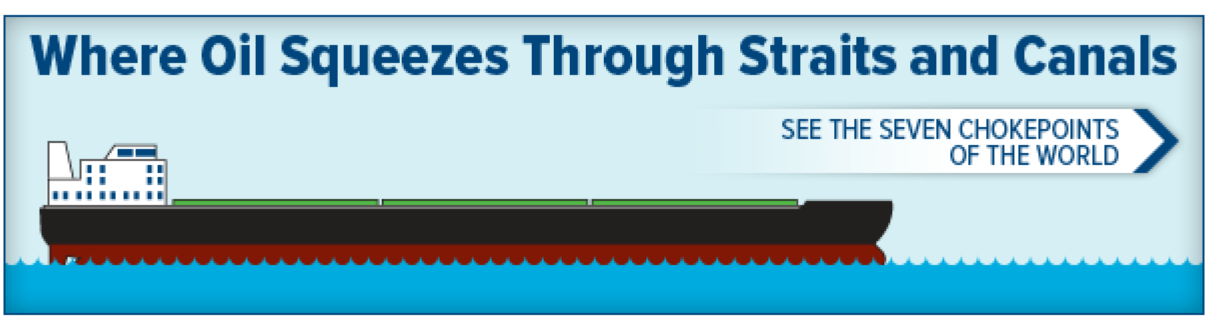


- The chart above from CEBM, a research firm based in Shanghai, China, shows land sales in China recovered which should increase the ability of local government financing vehicles (LGFV) to meet interest and principal payments on bank loans, according to the firm. CEBM also believes further urbanization will keep the land market active, which will likely translate into better credit quality on banks' balance sheets.

- China International Marine Containers Co. successfully relisted itself in Hong Kong with its H-share Bloomberg ticker being 2039 HK. The stock was up more than 11 percent at a close of HK$10.90 from an offering price of HK$9.83. The Hong Kong stock exchange is a good platform to re-list B-shares stocks in China, which had lost investors' interest due to availability of A-shares and H-shares to foreign investors.
- Russia's 12-month forward price-to-earnings discount is at 5.9x versus 12.9x relative to the emerging markets average, which is now down more than one standard deviation. Russia's cumulative average growth rate (CAGR) earnings per share (EPS) growth of 12.3 percent for 2013 is only slightly lower than the emerging markets average of 14.2 percent.

Threats

- Shadow banking risk surfaced recently in China after defaults on a couple of wealth management products (WMP). The government may tighten rules to avoid systemic risk in the case where liquidity dries up in the WMP sector. The risk is mostly coming from trust funds where about 34 percent of investments are credit assets, and are mismatched between liability and asset maturity. Some products may use leverage in addition to principal guarantees.
- China needs to continue supporting infrastructure investment in railway, highway and urban transit to keep the economy growing at or above 7.5 percent for 2013, otherwise the GDP growth rate will drop.
- A junior coalition party of liberal democrats left the Czech government and is now in opposition. It is not clear if liberal democrats will seek to join a no-confidence vote initiative in a bid for early elections.



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	13,190.84	+55.83	+0.43%
S&P 500	1,430.15	+16.57	+1.17%
S&P Energy	538.03	+6.98	+1.31%
S&P Basic Materials	234.35	+4.10	+1.78%
Nasdaq	3,021.01	+49.67	+1.67%
Russell 2000	847.92	+24.17	+2.93%
Hang Seng Composite Index	3,080.66	-12.29	-0.40%
Korean KOSPI Index	1,980.42	-14.62	-0.73%
S&P/TSX Canadian Gold Index	292.45	-6.10	-2.04%
XAU	160.30	-4.45	-2.70%
Gold Futures	1,658.30	-38.70	-2.28%
Oil Futures	88.66	+1.93	+2.23%
Natural Gas Futures	3.45	+0.14	+4.13%
10-Yr Treasury Bond	1.76	+0.06	+3.64%

Monthly Performance

Index	Close	Monthly Change($)	Monthly Change(%)
DJIA	13,190.84	+353.95	+2.76%
S&P 500	1,430.15	+39.12	+2.81%
S&P Energy	538.03	+11.42	+2.17%
S&P Basic Materials	234.35	+8.37	+3.70%
Nasdaq	3,021.01	+94.45	+3.23%
Russell 2000	847.92	+49.54	+6.21%
Hang Seng Composite Index	3,080.66	-332.01	-14.83%
Korean KOSPI Index	1,980.42	+96.38	+5.12%
S&P/TSX Canadian Gold Index	292.45	-23.40	-7.41%
XAU	160.30	-11.01	-6.43%
Gold Futures	1,658.30	-72.30	-4.18%
Oil Futures	88.66	+1.28	+1.46%
Natural Gas Futures	3.45	-0.45	-11.58%
10-Yr Treasury Bond	1.76	+0.08	+5.00%

Quarterly Performance

Index	Close	Quarterly Change($)	Quarterly Change(%)
DJIA	13,190.84	-406.09	-2.99%
S&P 500	1,430.15	-30.11	-2.06%
S&P Energy	538.03	-20.50	-3.67%
S&P Basic Materials	234.35	-4.00	-1.68%
Nasdaq	3,021.01	-154.95	-4.88%
Russell 2000	847.92	-3.59	-0.42%

Hang Seng Composite Index	**3,080.66**	**+313.26**	**+11.32%**
Korean KOSPI Index	**1,980.42**	**-9.91**	**-0.50%**
S&P/TSX Canadian Gold Index	**292.45**	**-58.61**	**-16.70%**
XAU	**160.30**	**-33.20**	**-17.16%**
Gold Futures	**1,658.30**	**-114.20**	**-6.44%**
Oil Futures	**88.66**	**-3.21**	**-3.49%**
Natural Gas Futures	**3.45**	**+0.65**	**+23.38%**
10-Yr Treasury Bond	**1.76**	**-0.00**	**-0.06%**

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.

Morningstar Ratings are based on risk-adjusted return. The Overall Morningstar Rating for a fund is derived from a weighted-average of the performance figures associated with its three-, five- and ten-year (if applicable) Morningstar Rating metrics. Past performance does not guarantee future results. For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads, and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages.)

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 9/30/12:

SPDR Gold Shares ETF: Gold and Precious Metals Fund, 1.11%; World Precious Minerals Fund, 1.31%; China Region Fund, 0.16%; All American Equity Fund, 0.20%; Holmes Growth Fund, 0.14%; Eastern European Fund, 0.21%
NYSE Euronext, Inc.: 0.0%
IntercontinentalExchange, Inc.: 0.0%
Western Digital Corp.: 0.0%

Seagate Technology plc: MegaTrends Fund, 2.51%
Nike, Inc.: 0.0%
Electronic Arts, Inc.: 0.0%
Frontier Communications Corp.: All American Equity Fund, 0.84%; MegaTrends Fund, 2.58%
Randgold Resources Ltd: Gold and Precious Metals Fund, 1.97%; World Precious Minerals Fund, 0.81%
Rubicon Minerals Corp.: World Precious Minerals Fund, 1.43%
Jaguar Mining, Inc.: 0.0%
Golden Star Resources Ltd: Gold and Precious Metals Fund, 0.28%; World Precious Minerals Fund, 0.27%
San Gold Corp.: 0.0%
Rio Alto Mining Ltd: Gold and Precious Metals Fund, 0.82%; World Precious Minerals Fund, 0.81%
Yamana Gold, Inc.: Gold and Precious Metals Fund, 3.44%; World Precious Minerals Fund, 3.39%; Global Resources Fund, 2.23%
Lonmin plc: 0.0%
Vale S.A.: 0.0%
Norsk Hydro: 0.0%
ArcelorMittal: 0.0%
China International Marine Containers Co.: 0.0%

*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 National Association of Home Builders/Wells Fargo Housing Market Index gauges builder perceptions of current single-family home sales and sales expectations for the next six months as “good,” “fair” or “poor.” The survey also asks builders to rate traffic of prospective buyers as “high to very high,” “average” or “low to very low.” Scores from each component are then used to calculate a seasonally adjusted index where any number over 50 indicates that more builders view sales conditions as good than poor.

The New York Empire State Manufacturing Survey is sent out to companies in the manufacturing industry in New York state. The survey provides an early indication of business conditions, such as price levels and employment trends, and it gives an indication of changes in sentiment. The survey is produced by the Federal Reserve Bank of New York and is released around the middle of the month.

The Mortgage Bankers Association’s (MBA) Weekly Applications Survey (the “Survey”) offers a comprehensive analysis of mortgage application activity. The Market Index covers all mortgage applications during the week. This includes all conventional and government applications, all fixed-rate mortgages (FRMs) and all adjustable-rate mortgages (ARMs), whether for a purchase or to refinance. The Market Index is available both seasonally adjusted (which includes holiday adjustments where applicable) and unadjusted.

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