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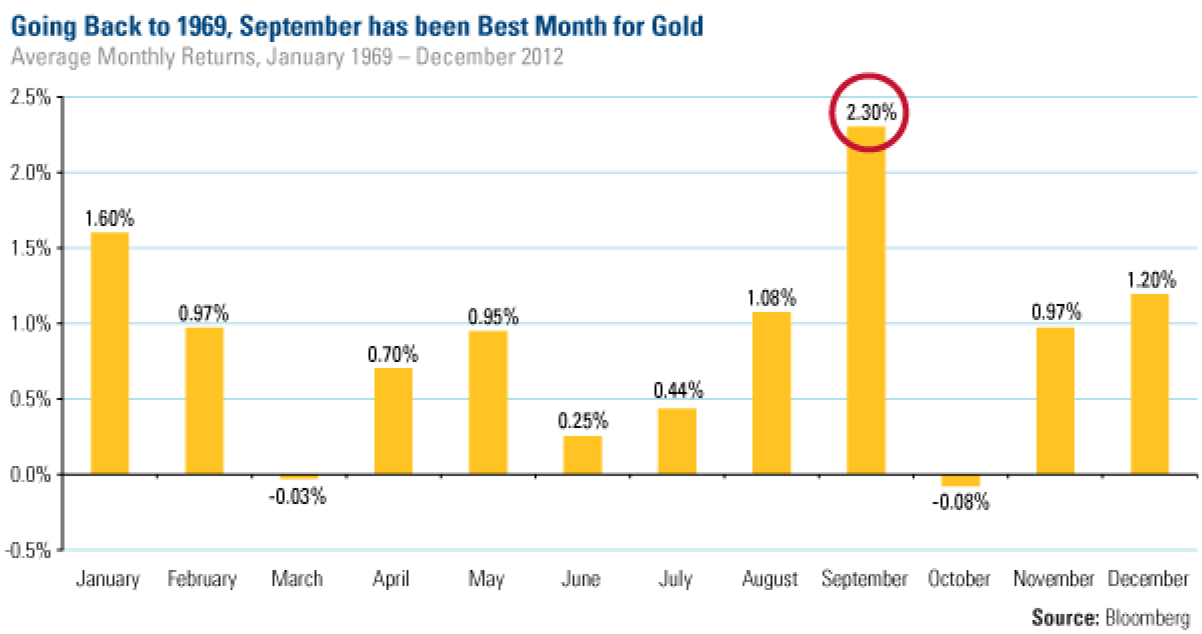
Will Gold Follow Its Seasonal Pattern This Year?

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

I often talk about how the gold trade is really two separate trades. There's the Fear Trade that buys gold out of fear of war or poor government policies. This crowd sees the precious metal as a safe haven during times of crisis, such as when gold rose over the fear of a war in Syria, but eased when a much more limited military action became likely.

However, there are other factors beyond Syria this week driving gold. That's the Love Trade. This group gives gold as gifts for loved ones during important holidays and festivals.

This is the time of the year that we are in the midst of right now. Historically, September has been gold's best month of the year. Looking at more than four decades of monthly returns, the precious metal has seen its biggest increase this month, averaging 2.3 percent.



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Indians will be getting ready for their wedding season that begins in October followed by the five-day Hindu festival of lights, Diwali, which is India's biggest and most important holiday of the year. In December, millions of people will be gathering with loved ones to exchange gifts as they observe Christmas. And finally, millions will celebrate Chinese New Year at the end of January 2014.

In India, there's also the harvest season to consider, as its crop production relies on rainfall for water.

One positive driver for gold this year is the fact that the country has had a heavy monsoon. The rains that started in June covered most of India at the fastest pace in more than 50 years. About 70 percent of the annual rainfall in

India happens from June to September, and a strong monsoon season usually means a bumper crop, which boosts farmers' incomes.

That could increase gold buying as well, negating the government's efforts to quell India's gold-buying habit. Historically, good monsoon seasons have been associated with strong gold demand. "In 2010, the last year that rains were heavily above average, demand soared 37 percent in the fourth quarter after harvests," says Reuters.

In the rural areas of India, there is little access to banking networks, so gold is used as a store of wealth, says Reuters. And with half the population in India employed in agriculture, it's no surprise that 60 percent of all the gold demand in the country comes from these rural areas.

India's rural community has seen a "hefty rise" in income this year, reports Mineweb today. But instead of buying gold, Mineweb says Indian farmers may purchase land due to gold in local currency reaching "dizzying heights."

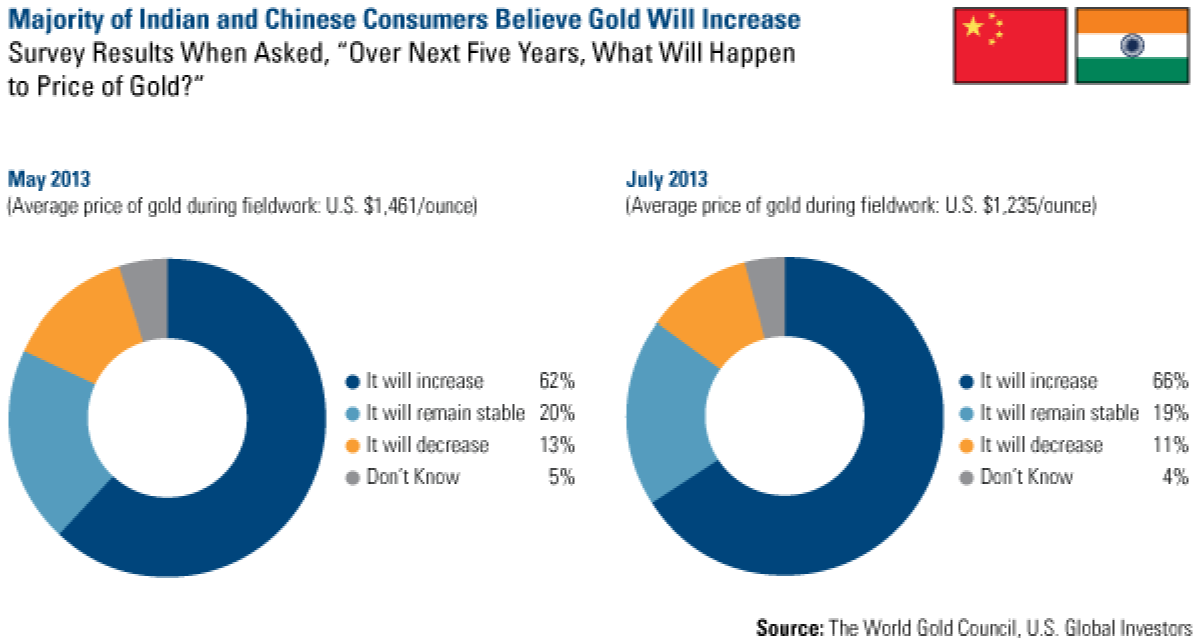
Particularly over the past few weeks, as the currency faced increasing weakness, gold in rupee spiked. Over the past three years, gold is now up 58 percent compared to gold in the U.S. dollar, which rose nearly 12 percent.

click to enlarge

Despite this possible short-term threat to gold demand, keep in mind the East's long-term sentiment toward the metal, as this area of the world has a different relationship related to both the Love Trade and the Fear Trade. And it's not easily broken.

You can see this encouraging sentiment in the chart below, as people in China and India have a "particular positivity around longer-term expectations for the gold price," according to the World Gold Council (WGC).

In May and July, the WGC asked 1,000 Indian and 1,000 Chinese consumers where they think the price of gold will be in five years. The two charts show the respondents' answers in May, when the average price of gold was about $1,400, and again in July, when the average price of gold was $1,200 an ounce.



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Overwhelmingly, consumers in India and China believe the price of gold will increase over the long-term.

What's interesting is when you compare the responses between May to July, there's an "extremely resilient sentiment around the future trajectory of gold," says the WGC. In May, 62 percent assumed gold would increase; in July, the number increased to 66 percent.

The survey also shows that there are not too many gold bears in the East. Only 11 percent of those who responded in July think the price will decrease.

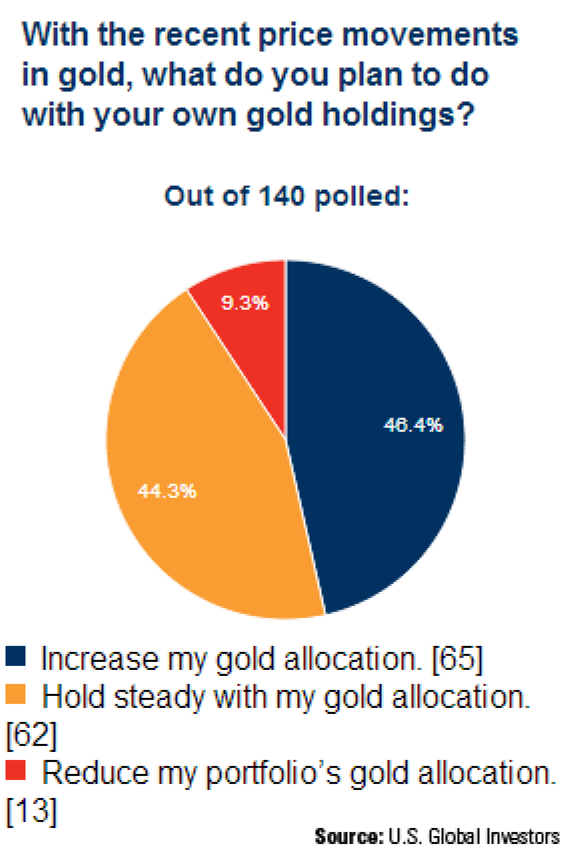
Are you a gold bull or bear?

Where do you think gold is headed? We asked people what they planned to do with their own gold holdings because of the recent price moves in gold over the past several weeks. Take a look at the results.

The decision to hold tight compared to those who wanted to increase their allocation to gold was nearly the same.

What's amazing is that only 9 percent felt the need to decrease their allocation.

What's your take? Take part in our **Gold Portfolio Poll** and weigh in.



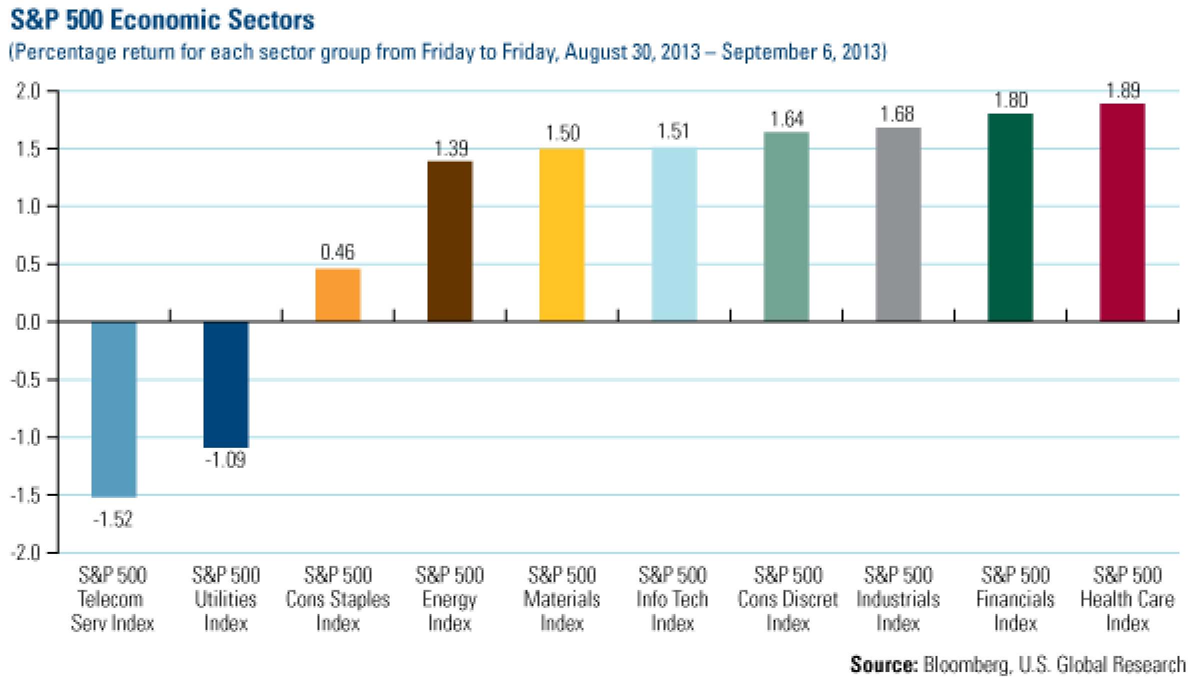
Index Summary

- Major market indices finished higher this week. The Dow Jones Industrial Average rose 0.76 percent. The S&P 500 Stock Index gained 1.36 percent, while the Nasdaq Composite appreciated 1.95 percent. The Russell 2000 small capitalization index rose 1.84 percent this week.
- The Hang Seng Composite rose 3.54 percent; Taiwan gained 1.77 percent while the KOSPI appreciated 1.50 percent.
- The 10-year Treasury bond yield rose 15 basis points this week to 2.94 percent.

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

Domestic Equity Market

The S&P 500 rebounded this week on better global economic data. A weak jobs report here in the States on Friday raises questions around the Federal Reserve's willingness to "taper" which also gave the market a lift on continued quantitative easing. Cyclicals tended to outperform while interest rate sensitive areas were down for the week. The 10-year treasury yield touched 3 percent on Thursday before rallying on Friday on the weak jobs data.



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Strengths

- The health care sector was the best performer as the sector experienced broad based gains. Medical product stocks were relative outperformers with good performance from Boston Scientific, St. Jude Medical, Medtronic and Stryker.

- The materials and energy sectors were both strong performers as global manufacturing indicators are seeing positive surprises. Oil prices remain strong on the back of better economic data but also unrest in the Middle East is having an impact.
- J.C. Penney was the best performer in the S&P 500 this week, rising 15.08 percent as the company continues to restructure and reported that it is ending its relationship with Martha Stewart Living.

Weaknesses

- The telecommunication services and utilities sectors were the worst-performing sectors as yields continue to climb, negatively affecting these interest rate sensitive groups.
- Housing-related areas were under pressure this week with homebuilders, home improvement retailers and furniture retailers all among the worst industry group performers for the week.
- Microsoft was the worst performer in the S&P 500 for the week, falling 7.12 percent. The company announced the acquisition of Nokia's handset division, apparently completing the company's foray into the mobile phone space.

Opportunity

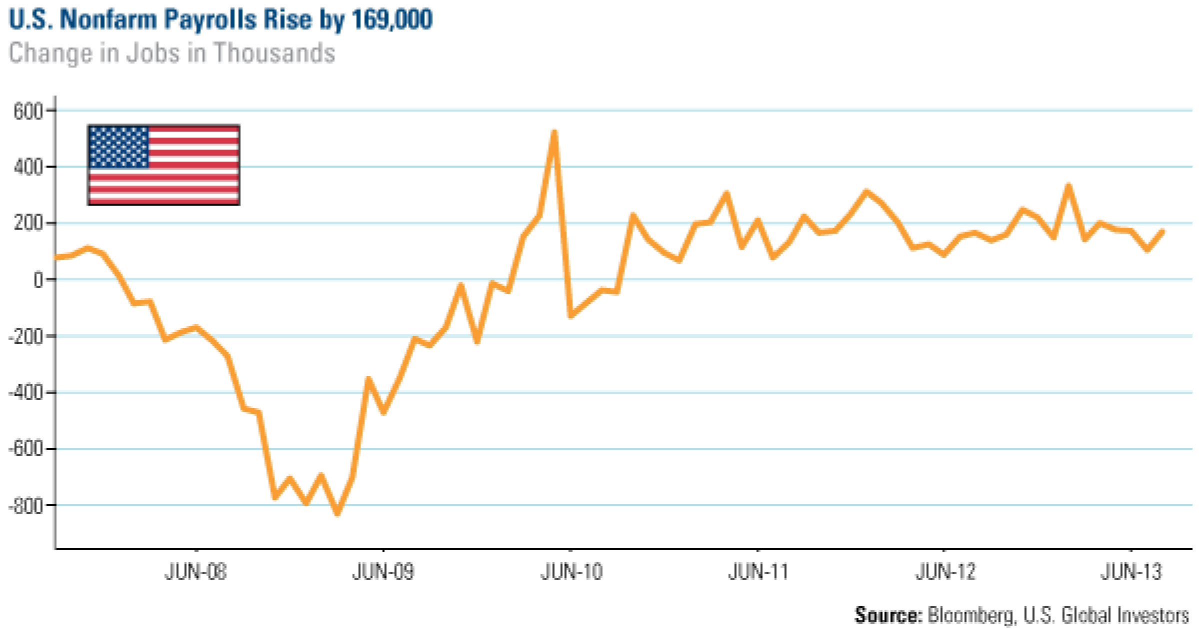
- The current macro environment remains positive as economic data remains robust enough to give investors confidence in an economic recovery but not too strong as to force the Fed to change course in the near term.
- Money flows are likely to find their way into domestic U.S. equities and out of bonds and emerging markets.
- An improving macro backdrop out of Europe and China could be the next catalyst for the market to move higher.

Threat

- A market consolidation could occur in the near term after such a strong year.
- Higher interest rates are a threat for the whole economy. The Fed must walk a fine line and the potential for policy error is potentially large.
- Seasonally, September is one of the worst months of the year. Volatility coming into the Federal Open Market Committee (FOMC) meeting in mid-September should be expected.

The Economy and Bond Market

Treasury yields moved higher this week with the 10-year Treasury bond briefly touching the 3 percent level. Yields continue to move higher as the market prepares for "tapering" at the next Fed meeting on September 17-18. Fund flows out of fixed income funds have been very heavy in recent weeks and the market appears oversold. With little significant economic data between now and the Fed meeting, the market appears to have priced in a worst-case scenario which may allow for a rally in fixed income securities. Nonfarm payrolls were released Friday and, as can be seen in the chart below, the trend is not improving. This makes it somewhat difficult for the Fed to aggressively reduce quantitative easing later this month.



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Strengths

- The ISM manufacturing index rose to 55.7 continuing the recent strong showing in the manufacturing area.
- There has been a global uptick in purchasing managers indices (PMI) such as the ISM manufacturing index cited above. We saw broad-based improvement with eurozone manufacturing, U.K. manufacturing and China manufacturing indices all posting positive results.
- U.S. auto sales hit a six-year high in August and, along with housing, have been a key to maintaining economic growth.

Weaknesses

- Uninspiring nonfarm payroll data indicates the economy is just limping along and that real growth remains elusive.
- With long-term yields still rising, the housing market remains at risk of slowing.
- The early read on retail sales for August shows mixed results. Back-to-school sales appear somewhat muted.

Opportunity

- Despite recent conflicting commentary, the Fed continues to remain committed to an overall accommodative policy.
- Key global central bankers are still in easing mode such as the European Central Bank, Bank of England and the Bank of Japan.
- The recent selloff in bonds is likely an opportunity as financial markets tend to overreact in the short term.

Threat

- Inflation in some corners of the globe is getting the attention of policymakers and may be an early indicator for the rest of the world.
- Trade and/or currency “wars” cannot be ruled out which may cause unintended consequences and volatility in the financial markets.
- The recent bond market selloff may be a “shot across the bow” as the markets reassess the changing macro dynamics.

Gold Market

For the week, spot gold closed at $1,390.62, down $4.53 per ounce, or 0.32 percent. Gold stocks, as measured by the NYSE Arca Gold Miners Index, lost 0.56 percent. The U.S. Trade-Weighted Dollar Index was essentially flat with a 0.08 percent gain for the week.

Strengths

- Net gold shipments to China from Hong Kong increased to 113 metric tons in July, up from 101 tons a month earlier. On average, premiums to attain physical delivery of gold were 2.1 percent higher than global markets. China's total gold consumption this year may jump by 29 percent to reach 1,000 tons, overtaking India to become the world's largest gold consumer.

- Gold rebounded on Friday as weaker-than-forecast gains in U.S. payrolls revived prospects for an extension of economic stimulus by the Federal Reserve, stoking demand for the metal as a store of value. Employers added 169,000 workers in August while Bloomberg's survey called a gain of 180,000. Gold shed about $45 in the two days prior, as the Institute for Supply Management's non-manufacturing index rose to 58.6 in August. The median forecast called for a drop to 55.

- Platinum ETF holdings rose 38 percent to a fresh record with South Africa's NewPlat ETF becoming the largest platinum ETF with market share of 27 percent. In other South African news, some gold miners ended their strike after 48 hours and are heading back to work, bolstering confidence that the entire strike could soon be over. Pan African Resources and Village Main Reef both announced wage settlements with single-digit raises. Sibanye Gold said workers at its Kloof mine near Johannesburg ended a strike as well.

Weaknesses

- Holdings in the largest U.S. gold-backed exchange traded products dropped 1.8 metric tons for the week after rising in the previous three weeks.

- South African gold shares were under pressure for most of the week as uncertainty about the duration of the strike called by the National Union of Mineworkers, along with the quantum of a final wages settlement, weighed on investment sentiment. The National Union of Mineworkers said it wanted a 60 percent increase in base pay.

- The plunge in the rupee, paired with a surge in the local gold price in India, has finally triggered the selling of scrap gold. This eases a supply crunch caused from curbs on imports by the world's largest consumer. Sellers of scrap have even taken a discount to tender their gold.

Opportunities

- A publication by PwC entitled "Deals in the Dumps: Global Mining Deal Mid-Year Report," says that deal value fell 70 percent for merger and acquisition activity in the first half of the year. This dropped to $22.9 billion between January and June, compared to the same period last year. In total, there were 649 mining sector deals in the first six months, down 31 percent from the same period of 2012 when there was a total of 940 transactions. In the first six months of 2011 there were 1,371 mining deals.

- Deal activity has largely been stifled by companies unwilling to commit to new acquisitions in the shadow of billions of dollars of write-downs. Some companies have been opportunistic such as Alamos Gold with its purchase of Esperanza Resources for cash and a five-year warrant on the shares of Alamos. Such purchases are for relatively small companies that have been beaten up but still offer tremendous value. In another deal this week, Newmont Mining bought a significant stake in Novo Resources at a premium to the market.

- David Rosenberg of Gluskin Sheff has been in the deflation camp for quite some time, but now sees inflation more probable in the future. In his "Breakfast with Dave" publication from September 3, David states that the Fed is no longer pursuing price stability, which many officials actually believed was 1 percent on core consumer price trends just half a decade ago. He goes on to say, "now the Fed is de facto, telling us that it is going to tolerate, and in fact many of the FOMC members desire this, inflation heading up to 2.5 percent." Low labor participation rates, combined with the mismatch between the skill set that employers need versus the skill set that is available, inflation may be hard to contain after such an unprecedented experiment in expanding the Fed's balance sheet.

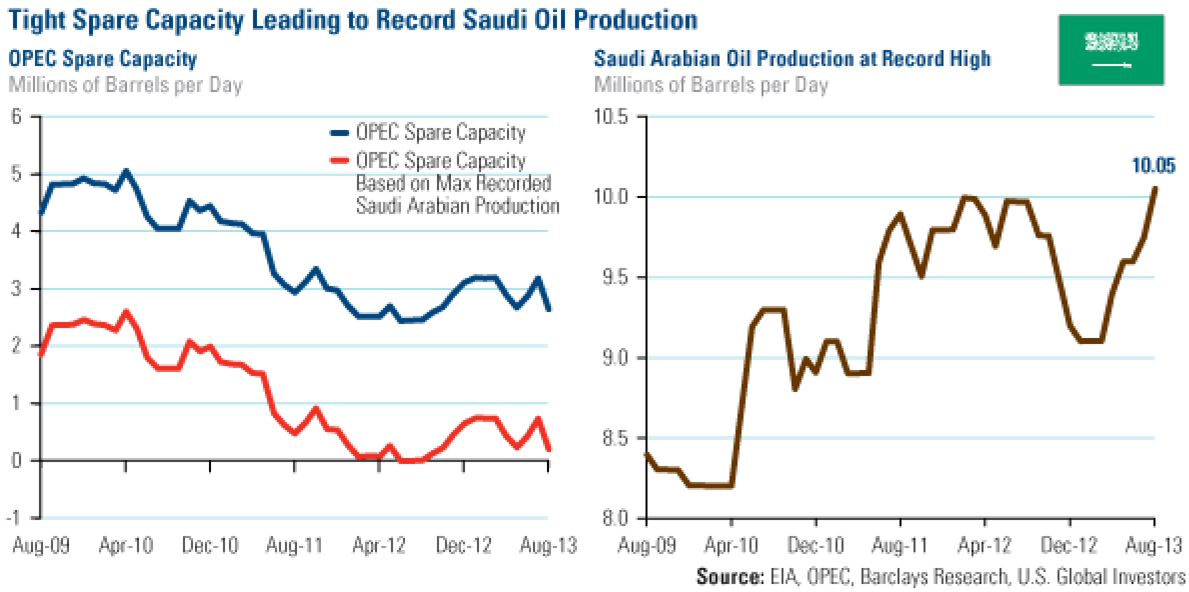
Threats

- The Securities and Exchange Commission (SEC) will rewrite its proposed rule requiring oil, gas and mining companies to disclose payments to foreign governments, rather than appeal a federal court ruling claiming the agency's financial disclosure rule had "serious" problems. Federal District Judge John Bats ruled that the SEC misread a Dodd-Frank statute requiring mining companies to disclose what they pay foreign governments for mineral rights. By forcing companies to reveal foreign payments in countries where those nations prohibit such disclosure, the burden on completion and cost to investors drastically increases. Oxfam America announced that it joined U.S. senators and key investors to call the SEC to promptly re-issue the landmark oil, gas and mining transparency rules. The judge recognized that such disclosure is bad for business, and will likely drive investment away from countries that need such development for economic growth.

- According to forecasts compiled by Bloomberg, the twenty-largest mining companies by market value are set to spend about $244 billion on expansions through 2015, a 2.4 percent drop from the $250 billion in capital expenditure made in the previous three year period. Ivan Glasenberg, CEO of Glencore Xstrata, has called for austerity in the mineral markets to end an oversupply of metals. Investors including BlackRock, the world's largest money manager, have been pressuring mining companies to boost shareholders' returns and defer the construction of mines. This pressure comes from waning demand and declining prices which erode profits.

- Alaska Governor Sean Pamell ordered an investigation into the practices of the Alaska Department of Environmental Conservation's Environmental Crimes Unit as well as the U.S. Environmental Protection Agency's (EPA's) Criminal Investigation Division. This investigation comes after armed government agents swooped in on 30 small-scale "mom and pop" placer gold mining operations along the Fortymile River near Chicken, Alaska. Chicken is a remote area close to the Canadian border with a population of 13. Placer miners are known to use primitive tools such as a shovel and a sluice box to sieve gravels within the stream. Clays are lifted off the bottom of the river but settle back into their natural surroundings. EPA agents claimed that the weapons and body armor that they used were necessary, as possible felony violations of the Clean Water Act could be taking place and that the Alaska State Troopers were concerned with "rampant drug and human trafficking going on in the area." Trooper spokesman Megan Peters insisted that state troopers did not advise the EPA of dangerous drug activity in the area. "I am deeply troubled by the aggressive show of force and tactics employed by the EPA and other agencies," said Alaska Congressman Don Young in a statement on Thursday.

Energy and Natural Resources Market



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Strengths

- Brent and WTI crude oils moved higher this week due to declining production in Libya, the North Sea and Azerbaijan as well as more talk of military strikes in Syria. WTI closed the week at a 28-month high of $110.40 per barrel.
- The Dow Jones Oil & Gas Index gained 2.08 percent this week on rising oil prices.
- The Baltic Dry Shipping Index gained 12.5 percent and hit an 18-month high this week.
- The China steel PMI reached 53.4 in August 2013, 0.9 percent higher month-over-month. This is the third month the PMI has been above a reading of 50 this year.
- The Energy Information Agency reported that U.S. oil production reached its highest levels since October 1989 last week. U.S. oil production hit 7.61 million barrels per day, or 38.9 percent higher than production one year ago.

Weaknesses

- NYMEX natural gas futures slipped 5 cents this week to finish at $3.53 per million Btu (mmbtu) as inventories increased more than expected this week.
- Refiners underperformed the S&P Energy Index by the most in four weeks as crack spreads hit their lowest level since 2011 with the group down on average 1.6 percent.

Opportunities

- According to an analysis by Macquarie, palladium demand should be boosted by the continuing acceleration in U.S. auto sales, which topped 16 million units (on a seasonally adjusted annualized basis) in August 2013 for the first time since November 2007. On a monthly basis, sales were 1.5 million units, up 17 percent year-over-year. Larger vehicles, which typically use more platinum group metals (PGM) because they have larger catalytic converters, are also gaining market share, with Ford selling 71,115 of its F-series truck, the most since 2006 (and some of these very large personal vehicles will have diesel engines and, hence, platinum-rich catalysts). The age of the current fleet is a reason for the pickup in U.S. car sales but is also a caveat to the bullish story—many of the new sales are to replace scrapped vehicles, which in time will mean higher flows of recycled PGM.

Threats

- Annual capital expenditures by the top 20 biggest mining companies by market cap is forecast to drop by about a third to $66 billion in 2015 from 2012 levels according to forecasts compiled by Bloomberg.

Frank Talk *Insight for Investors*

September 3, 2013
An American Energy Revolution

August 30, 2013
Look for these European Stocks to Exert a Lot of Horsepower

August 26, 2013
5 China Charts That Look Bullish for Commodities

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

China Region Fund - USCOX • Emerging Europe Fund - EUROX
Global Emerging Markets Fund - GEMFX

Emerging Markets

Strengths

- China's August PMI was 51.0 versus market expectation of 50.6, showing expansionary industrial activities in China. By adding daily power output CLSA forecasted power generation growth of 15.3 percent in August. Goldman Sachs raised its forecast for China's economic growth this year to 7.6 percent from 7.4 percent, saying forward indicators picked up in the last few months amid improving global demand.
- China's passenger vehicles sales rose 13 percent year-over-year to 1.25 million units in August, in line with July's 13.1 percent, despite 1 less working day versus August 2012. Year-to-date 2013 sales totaled 10.1 million units, up 16.3 percent year-over-year. The market expected this double-digit growth to extend into September.
- After Bank of America sold its remaining 2 billion shares in China Construction Bank, most foreign strategic shareholders have sold their stakes in Chinese banks, except HSBC, which still holds shares of Bank of Communications.
- The investigation of the former chairman and CEO of PetroChina and its parent company CNPC showed China's determination to clean up corruption in state-owned enterprises, though those cases can temporarily have a negative effect on stock prices.
- Macau's August gaming gross revenue rose 17.6 percent year-over-year to 30.7 billion Macanese pataca (MOP).
- Indonesia's FX reserve came in at $93 billion, better than the $90 billion most economists had predicted. Foreign currency reserve is watched closely by investors due to the fact that a decrease of FX reserve can add downside pressure to the falling local currency.
- The Baltic Dry Index (BDI) jumped to a 21-month high at 1,279 supported by a rising capsize freight rate due to steady Chinese iron ore demand and falling fleet growth.
- Thailand's inflation was 1.59 percent in August, lower than the market expectation of 1.8 percent in spite of its currency weakness.
- Malaysia kept its benchmark rate unchanged at 3 percent, in line with the market expectation.
- The Philippines' August inflation was 2.1 percent lower than the market consensus of 2.4 percent.

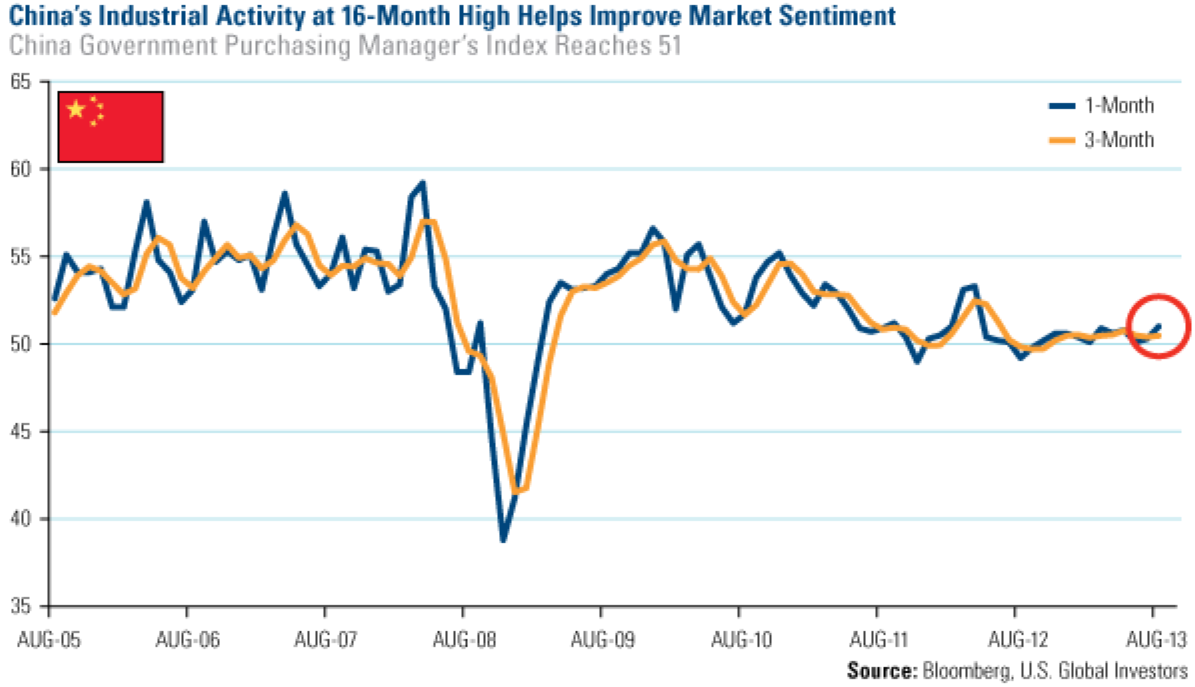
Weaknesses

- Indonesia's July trade deficit was $2.3 billion, wider than the expected $393 million. The trade deficit was $877 million in June. In July, Indonesian exports declined 6.1 percent, while imports went up 6.5 percent. Indonesia's headline inflation increased further to 8.7 percent in August, though lower than the consensus estimate of 8.95 percent.
- Goldman Sachs cut its growth forecast for Indonesia, Thailand and Malaysia between 40-70 basis points each in 2013 and 2014, based on external pressures and high inflation. The Ministry of Housing and

Urban-Rural Development called meetings with seven cities including Nanjing and Zhengzhou because home prices in the regions increased "too fast," Economic Information Daily reports.

- Czech GDP growth was revised downward to 0.6 percent in the second quarter from the flash estimate at 0.7 percent. GDP data are unlikely to take off the table the idea of FX interventions to weaken the koruna.

Opportunities



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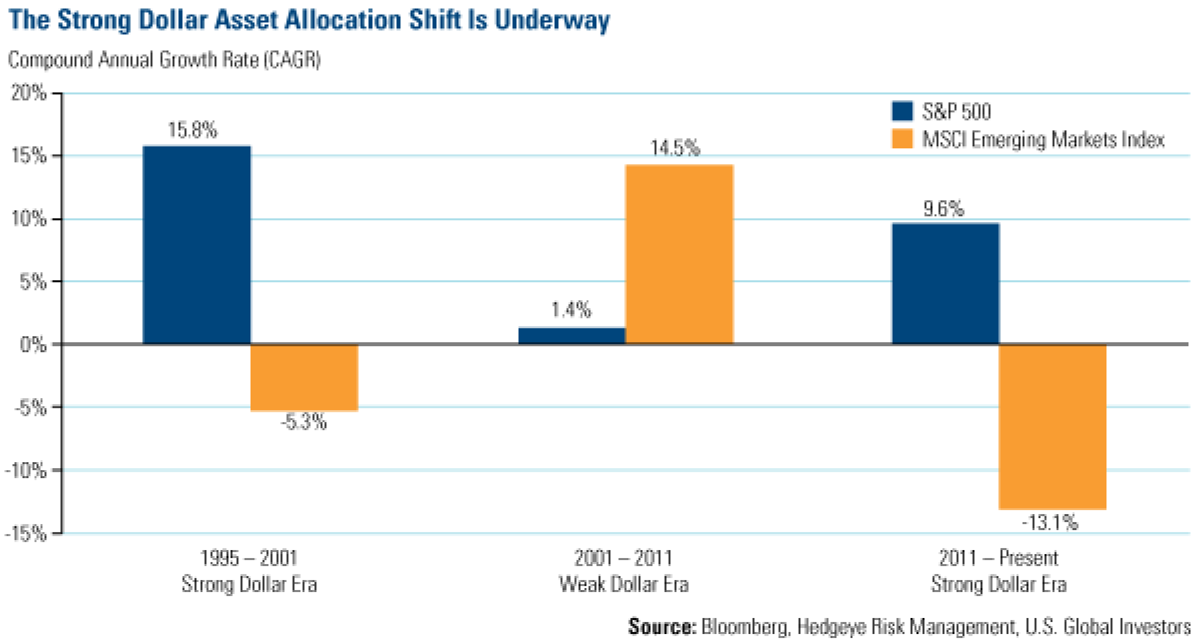
- As shown in the graph above, China's August official PMI surprised on the upside by rising to 51 versus the market expectation of 50.6, which also confirmed a better-than-expected HSBC China Flash PMI released earlier. Many forward indicators have pointed to growth momentum for China's economy as China supports short-term growth stability while working on long-term economic reform.
- Russian Novatek and China National Petroleum Corporation (CNPC) concluded an agreement on the purchase of a 20 percent equity share in the Yamal LNG project by CNPC. The move validates Novatek's push to break Gazprom's long-held monopoly over gas exports.

Threats

- After credit growth since the 1997 Asia crisis, the loan-to-deposit ratio (LTD) of Indonesia's banking system has reached above 90 percent, the highest among Association of Southeast Asian Nation (ASEAN) countries. With falling local currency and slower economic growth, a nonperforming loan up cycle may begin if corporations run at losses. Such a scenario may happen in Thailand and Malaysia since these countries are under the same pressures of weak currency and slower growth prospects.
- A strong U.S. dollar and rising rates expose emerging markets to a variety of risks, among which are weak currencies feeding higher inflation through imports. Hedgeye sees further downside for emerging markets relative to the U.S.



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Leaders and Laggards

The tables show the weekly, monthly and quarterly performance statistics of major equity and commodity market benchmarks of our family of funds.

Weekly Performance

Index	Close	Weekly Change ($)	Weekly Change (%)
10-Yr Treasury Bond	2.94	+0.15	+5.42%
Hang Seng Composite Index	3,108.20	+106.23	+3.54%
Oil Futures	110.21	+2.56	+2.38%
Nasdaq	3,660.01	+70.14	+1.95%
Russell 2000	1,029.55	+18.65	+1.84%
Korean KOSPI Index	1,955.31	+28.95	+1.50%
S&P Basic Materials	258.25	+3.82	+1.50%
S&P Energy	603.11	+8.27	+1.39%
S&P 500	1,655.17	+22.20	+1.36%
DJIA	14,922.50	+112.19	+0.76%
XAU	103.01	-0.43	-0.42%
Gold Futures	1,389.10	-7.00	-0.50%
Natural Gas Futures	3.53	-0.06	-1.54%
S&P/TSX Canadian Gold Index	195.59	-3.62	-1.82%

Monthly Performance

Index	Close	Monthly Change ($)	Monthly Change (%)
S&P/TSX Canadian Gold Index	195.59	+30.27	+18.31%
XAU	103.01	+14.17	+15.95%
10-Yr Treasury Bond	2.94	+0.29	+11.09%
Gold Futures	1,389.10	+106.60	+8.31%
Natural Gas Futures	3.53	+0.21	+6.27%
Oil Futures	110.21	+4.91	+4.66%
Korean KOSPI Index	1,955.31	+48.69	+2.55%
S&P Basic Materials	258.25	+2.89	+1.13%
Nasdaq	3,660.01	-5.76	-0.16%
S&P Energy	603.11	-3.14	-0.52%
Russell 2000	1,029.55	-22.59	-2.15%
S&P 500	1,655.17	-42.20	-2.49%
DJIA	14,922.50	-596.24	-3.84%
Hang Seng Composite Index	3,108.20	-332.01	-14.83%

Quarterly Performance

Index	Close	Quarterly Change ($)	Quarterly Change (%)
10-Yr Treasury Bond	2.94	+0.86	+41.29%
Oil Futures	110.21	+15.45	+16.30%
Nasdaq	3,660.01	+235.96	+6.89%
Russell 2000	1,029.55	+50.09	+5.11%
S&P Basic Materials	258.25	+8.17	+3.27%
Hang Seng Composite Index	3,108.20	+91.17	+3.02%
S&P Energy	603.11	+13.83	+2.35%
S&P 500	1,655.17	+32.61	+2.01%
Korean KOSPI Index	1,955.31	-3.88	-0.20%
DJIA	14,922.50	-118.12	-0.79%
Gold Futures	1,389.10	-29.30	-2.07%
S&P/TSX Canadian Gold Index	195.59	-12.44	-5.98%
XAU	103.01	-6.89	-6.27%
Natural Gas Futures	3.53	-0.30	-7.87%

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 Emerging Europe 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 6/30/13:

Boston Scientific Corp.: 0.0%
St. Jude Medical, Inc.: All American Equity Fund, 1.06%; MegaTrends Fund, 2.02%
Medtronic, Inc.: 0.0%
Stryker Corp.: 0.0%
J.C. Penney Company, Inc.: 0.0%
Martha Stewart Living Omnimedia, Inc.: 0.0%
Microsoft Corp.: 0.0%
Nokia Corp.: 0.0%
Pan African Resources plc: Gold and Precious Metals Fund, 0.94%; World Precious Minerals Fund, 1.12%
Village Main Reef: 0.0%
Sibanye Gold Ltd: 0.0%
Alamos Gold, Inc.: Global Resources Fund, 0.20%; Gold and Precious Metals Fund, 1.55%; World Precious Minerals Fund, 1.62%
Esperanza Resources Corp.: 0.0%
Newmont Mining Corp.: Gold and Precious Metals Fund, 2.25%; World Precious Minerals Fund, 0.06%
Novo Resources Corp.: World Precious Minerals Fund, 0.53%
Glencore Xstrata plc: Global Resources Fund, 1.86%
China Construction Bank Corp.: China Region Fund, 1.11%
Bank of Communications Co., Ltd: 0.0%
PetroChina Co. Ltd: 0.0%
Novatek: Emerging Europe Fund, 3.51%
Gazprom: Emerging Europe Fund, 3.06%

*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 Miners Index is a modified market capitalization weighted index comprised of publicly traded companies involved primarily in the mining for gold and silver.
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 ISM manufacturing composite index is a diffusion index calculated from five of the eight sub-components of a monthly survey of purchasing managers at roughly 300 manufacturing firms from 21 industries in all 50 states.
The Purchasing Manager's Index is an indicator of the economic health of the manufacturing sector. The PMI index is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment.
The Dow Jones Oil & Gas Index measures the performance of the energy sector of the U.S. equity market.
The Baltic Dry Freight Index is an economic indicator that portrays an assessed price of moving major raw materials by sea as compiled by the London-based Baltic Exchange.