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U.S. Global Investors Investor Alert

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This week's podcast recording will be available on Monday. We apologize for any inconvenience.

What's Abuzz About Gold?

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

Last week I visited the breathtaking city of Hong Kong to speak at the seventh annual Mines and Money Conference, Asia-Pacific's premier event for mining investment deal-making and capital-raising. During my time in Asia I had the additional privilege of addressing the audience of the Asia Mining Club, alongside my good friend Robert Friedland, Executive Chairman and Founder of Ivanhoe Mines.

While in Hong Kong, Andrew Driscoll (right), Head of Resources Research at CLSA, leads a discussion between Frank Holmes (left) and Robert Friedland (center) during an event for the Asia Mining Club.

Asia Still Wants Physical Gold

The mission of the Asia Mining Club is to promote education among its members, and one way to achieve this is by hearing from experts in the financial markets, notably those focused on resources and commodities. During the club's sold-out event, I confirmed a great deal about the commodity "buzz" on that side of the world, especially on gold.

The demand for the precious metal in Asia is truly phenomenal! In smaller countries like Indonesia, Thailand and Vietnam, consumption of gold totaled 300 tonnes in 2013. Moreover, according to Bloomberg, mainland Chinese buyers purchased a total of 125 tonnes this February (including scrap). This number tops the 102.6

tonnes purchased in January and the 97.1 tonnes purchased a year ago.

As I wrote about in February, Switzerland plays a role in the movement of physical gold into Asia as well. Home to many of the big gold refiners, Switzerland released monthly gold trade data this year for the first time in over 30 years, with the report showing that 80 percent of shipments went straight into Asia. If we continue to see these large movements of the physical metal, especially from the West to the East, it would appear to be only a matter of time until these supply-and-demand factors lift the gold price.

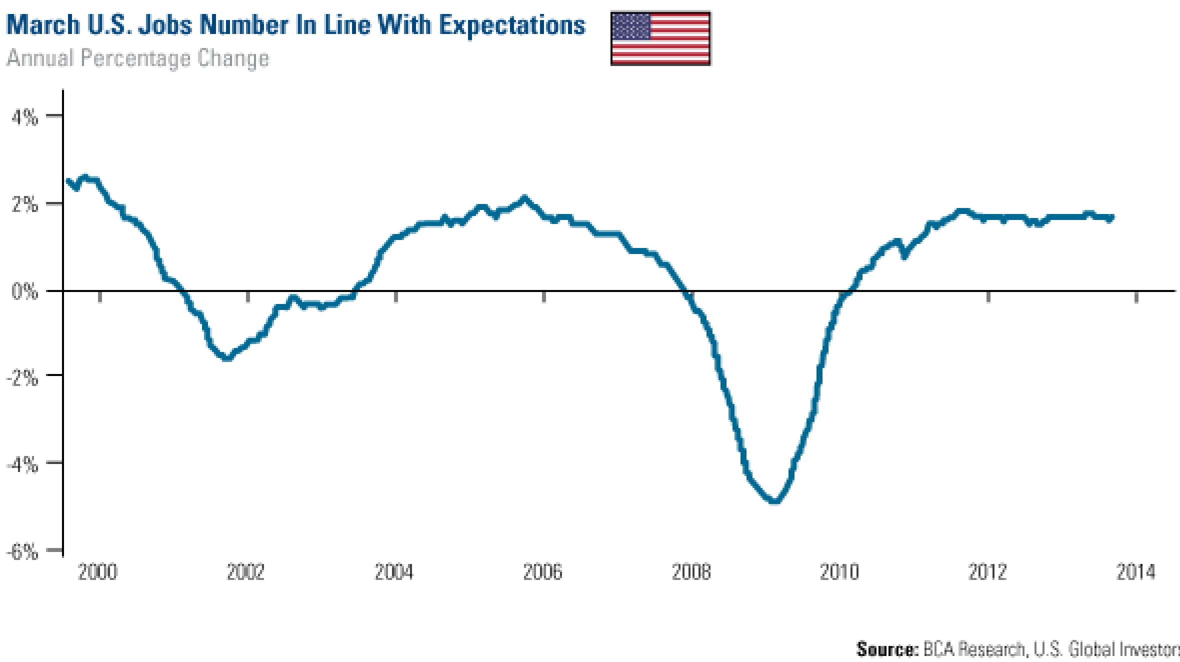
Is Janet Yellen Yelling?

I often say there are two sides to the gold equation: the Love Trade and the Fear Trade. While Asia's cultural affinity for gold continues to feed the Love Trade, concern over government policies, which increase inflation and devalue currencies, fuel the Fear Trade. The Fear Trade demanded attention again on the back of Janet Yellen's talk of the Federal Reserve raising interest rates in the next six months.

While low interest rates make it less expensive to borrow money, measures to keep rates low also chip away at the value of the dollar and cause concern about accelerating inflation. Once real rates start rising, gold isn't as attractive to those who trade on fear.

As I've written about recently, a key driver in gold prices is the real interest rate environment—the real rate of return taking into account the level of inflation. When real interest rates are negative to low, gold prices historically turn positive because there is no opportunity cost to hold the metal. The lower the real rates, the better gold tends to do. So, Yellen's initial hint of rising rates sent gold prices falling.

Earlier today, the March U.S. jobs number came in at 192,000. While the number is in line with expectations and clearly shows that hiring in the U.S. is rising, it fell a bit short of the 200,000 jobs projected. The number was just enough of a miss to disturb investor confidence and drive some to seek refuge in hard assets, spurring the price of gold again.



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BCA Research believes that after today's report, the current pace of employment will be sustained. Although the movement is gradual, hiring is going up.

BCA continued by commenting that,"The data will underscore the Fed's view: that the need for quantitative easing or other non-conventional tools is waning, but that there is no rush to normalize interest rates."

In my opinion, even with job numbers in line with expectations, the Fed is still going to focus on long-term job creation and keeping interest rates low, or at least not rushing to normalize them as BCA research stated. If inflation starts to rise while these rates are low, we could see a higher movement in the price of gold.

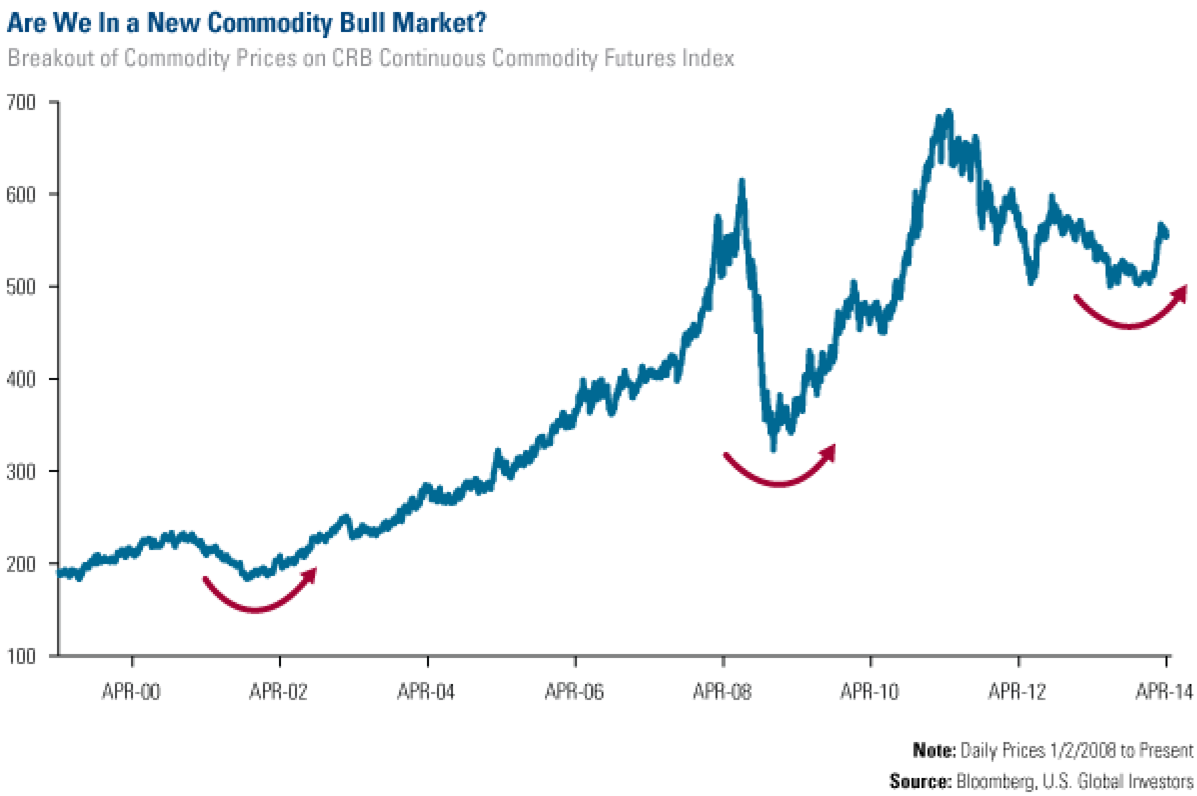
The Osisko Deal is Sweet and Sour

Another headline-maker for gold this week is Yamana Gold's purchase of 50 percent of Osisko's mining assets. I think our portfolio manager Ralph Aldis said it best in a recent BNN interview with Howard Green regarding the takeover: "This deal is both sweet and sour."

The sour part is that by our models, which look at relative value of assets, it appears that both Osisko and Yamana are paying too much on this deal. On the flip side, the sweet part is that this bid caused companies like Mirasol, Pretium and SEMAFO to immediately rise. The structure of the entire deal is a complicated one, but witnessing these stocks finally waking up is a change in the sentiment for the gold sector that, in my opinion, needed to be seen.

At U.S. Global Investors we are always watching for opportunity, while concurrently managing risk. Along with the "sweetness" of the Osisko deal, I find additional encouragement for the broader commodities space, as well as for gold, from Stifel Nicolaus' Barry Banister. His forecast for the second quarter of the year is that we may see a one-year rally in commodity-related stocks.

Based on the breakout of the Continuous Commodities Futures (CRB) Index, along with the movement in the U.S. dollar, he forecasts that commodities could rise 15 percent year-over-year in 2014.



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HFT: The new buzz word
High Frequency Trading became a household word overnight when bestselling author Michael Lewis gave an interview to 60 Minutes in advance of his new book, "Flash Boys." Lewis' allegations of high frequency trading practices that result in a rigged stock market have prompted a firestorm of support from Charles Schwab to Mark Cuban.

I agree with Schwab, chairman of Charles Schwab Corp., who said, "high frequency trading has run amok and is corrupting our capital market system by creating an unleveled playing field for individual investors and driving the wrong incentives for our commodity and equity exchanges." I'm glad to see this issue getting the attention it deserves.

From short selling to overreaching regulation, over the years I've shared my opinions on practices that harm individual investors and

Michael Lewis, author of "Flash Boys," appeared on 60 Minutes at the end of March to discuss his view on high-frequency trading.

create unjust advantages in our free market system. I believe that investing is key to long-term wealth creation and that investor confidence in the system is key to capitalism.

The first quarter of the year has certainly provided surprises for the gold market, but remember that every coin has two sides. Every downward data point has an upside opportunity. Follow the smart money, stay diversified and remain a curious investor. I hope you'll tune in on Monday at 7:30 a.m. (Eastern) to see me discuss gold and commodities on CNBC's Squawk Box.

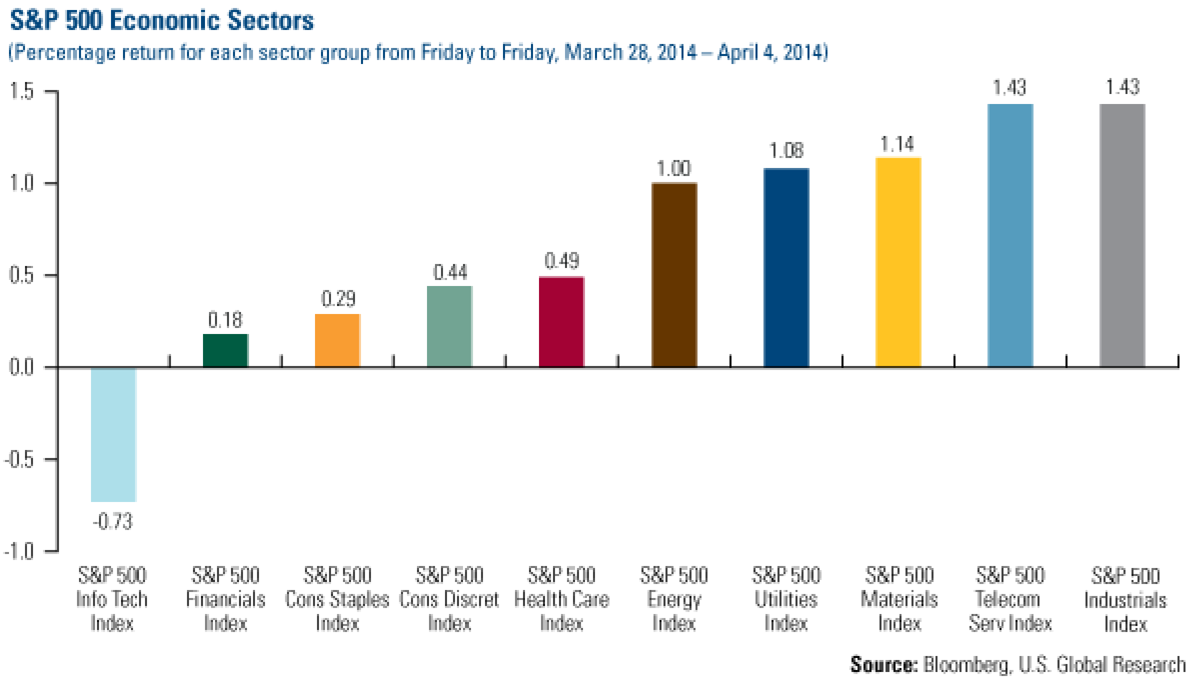
p.s. Don't miss my new show on Kitco. Each week I'll talk about the strengths, weaknesses, opportunities and threats in the gold market on Gold Game Film.

Index Summary

- Major market indices finished mixed this week. The Dow Jones Industrial Average rose 0.55 percent. The S&P 500 Stock Index gained 0.40 percent, while the Nasdaq Composite dropped 0.67 percent. The Russell 2000 small capitalization index gained 0.14 percent this week.
- The Hang Seng Composite rose 2.29 percent; Taiwan gained 1.30 percent while the KOSPI advanced 0.36 percent.
- The 10-year Treasury bond yield finished this week at 2.72 percent, unchanged from last Friday.

Domestic Equity Market

The S&P 500 Index remained resilient for the week with a gain of 0.40 percent after making another record high on Wednesday. Sector rotation continued from growth to value in the wake of earnings season and was reinforced by renewed investor interest in emerging markets and commodities. This came amid Chinese fiscal stimulus measures and the European Central Bank's apparent readiness for action if inflation continues to slide.



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Strengths

- The industrials sector rose 1.43 percent this week as the U.S. ISM Manufacturing Purchasing Managers' Index accelerated to 53.7 in March from 53.2 in February, breaking above its three-month moving average. Machinery stocks exhibited strength with domestic coal shipments via rail, signaling improving demand for heavy equipment.
- Retail consumer electronics was the best performing industry group, as Best Buy staged a 6.25 percent recovery on expectations of a sales comeback led by mobile devices, home appliances, and gaming consoles in the second quarter.
- Anadarko Petroleum was the best performer in the S&P 500, rising 18.97 percent this week. The company agreed to pay a $5.15 billion settlement for the cleanup of 85-years-worth of pollution left behind by its Kerr-McGee unit, a sum less than market expectations.

Weaknesses

- The technology sector finished the week down 0.73 percent amid ongoing rotation out of high quality and growth companies.
- Financials also lagged with exchanges and discount brokers hurt the most, as sentiment soured in fear of a regulatory crackdown on high-frequency trading, which may affect order flows.
- E*Trade was the worst performer in the S&P 500 this week, falling 9.56 percent in the midst of a selloff in discount brokers due to heightened regulatory risk related to high-frequency trading.

Opportunities

- The current macro environment remains positive as economic data is robust enough to give investors confidence in an economic recovery, but not too strong as to force the Federal Reserve to aggressively change course in the near term.
- The improving economic situation could possibly drive equity prices well into 2014.

Threats

- A short-term market consolidation period after such strong performance over the past six months cannot be ruled out.
- Higher interest rates are a threat for the whole economy. The Fed must walk a fine line and the potential for policy error is large.
- A lot of good news is potentially priced into the market and the economy will need to deliver to maintain this positive momentum.

In the News

April 4, 2014
Ralph Aldis Talks Gold Stocks with Howard Green of BNN

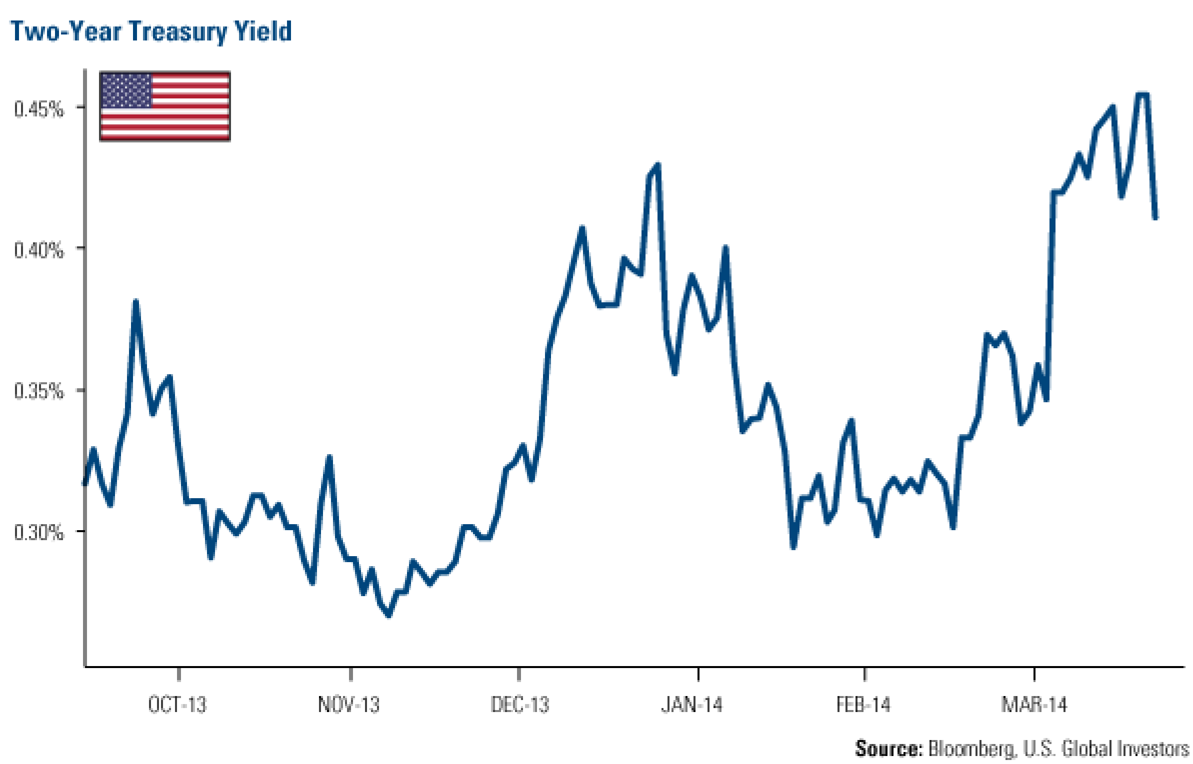
April 4, 2014
BullionVault Welcomes Frank Holmes to the New York Markets Live Show

April 2, 2014
Gold Game Film Launches on Kitco News

U.S. Government Securities Ultra-Short Bond Fund - UGSDX • Near-Term Tax Free Fund - NEARX

The Economy and Bond Market

Treasuries rallied following the March U.S. jobs report, with five- and seven-year notes leading the gains. Payrolls rose 192,000 last month after a gain of 197,000 in February and larger than originally estimated. Private employment, which excludes government jobs, surpassed the pre-recession peak for the first time. Employment in January and February was revised higher, showing that the effect of inclement winter weather on the labor market was less severe than previously thought. Earlier in the week, Federal Reserve Chairman Janet Yellen said accommodative policies will be needed for "some time."



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Strengths

- The rate of defaults on high-yield debt is low and falling. Even if companies that default and are liquidated, the recovery rate on their debt is higher than was seen three years ago.

- The ratio of debt rating upgrades to downgrades is running above one. A portfolio of high-yield bonds that have been upgraded outperformed the overall basket by around 13 percent in the last four years.
- Following the relentless rally in Greek bonds seen over the past two years, ratings agency Moody's is widely expected to lift the rating outlook on the eurozone's weakest link.

Weaknesses

- Housing prices continue to ease in China, as the National Bureau of Statistics (NBS) survey shows the month-over-month increase falling to an 18-month low of 0.3 percent in February. This suggests that the potential property bubble from 2012 to 2013 has been deflated.
- Bonds are showing the challenges central bankers face when it comes to creating sustainable economic growth amid persistent low inflation.
- Ukraine's credit rating was cut by Moody's Investors Service, which said that escalating political tensions along with the withdrawal of Russian financial support are weakening the country's fiscal strength.

Opportunities

- Federal Reserve Chairman Janet Yellen backpedaled from her comments last week that rates will be raised soon after the end of quantitative easing (QE). Clearly, the Fed is watching the market just as the market is watching the Fed.
- For low-quality corporate bonds, better economic data is supportive. Thus, the credit spreads should narrow against Treasuries.
- Better U.S. data, especially relative to the eurozone, will likely push the dollar/euro exchange rate back into its financial "fair value" range of 1.26 to 1.35, according to ISI.

Threats

- The opponents of hard-nosed sanctions on Russia argue that there is little scope for action as oil, the country's chief export, is easy to store, ship, and trade. But to sell its oil, Russia needs access to the world's financial system. Its companies still need to borrow on the bond market, to which they had enjoyed access thanks to QE and the fact that Russia has the largest weight in the MSCI EM fixed-income index. Removal from equity and fixed income indices could deal a serious blow to an era of cheap financing and Russia's military ambitions.
- Portugal weighs the risks by going alone and not bothering with the precautionary credit line advocated by the European Union. Portugal is trying to regain full access to debt markets after relying on 78 billion euros of emergency money the past three years.
- Global sales of structured notes linked to inflation fell to the lowest in 12 years as sluggish price growth in the world's biggest economies deters potential investors.

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

Gold Market

For the week, spot gold closed at $1,303.64, up $8.37 per ounce, or 0.65 percent. Gold stocks, as measured by the NYSE Arca Gold Miners Index, rose 0.52 percent. The U.S. Trade-Weighted Dollar Index rose 0.31 percent for the week.

click to enlarge

Strengths

- Gold rose $8.37 per ounce for the week, as the futures contract posted its best one-day performance since March 12 on Friday. U.S. payrolls rose 192,000 in March, missing analysts' expectations for a 200,000 gain. The weekly price action was also supported by positive import estimates from India and expectations of further stimulus in China, where Shanghai physical premiums turned positive.
- Gold sales by Japan's biggest bullion retailer increased five-fold in March as investors accelerated purchases ahead of the nation's sales tax increase on April 1. The demand was in response to Prime Minister Abe's tax hike as the government seeks to address the nation's swelling public debt and to stoke inflation. Similarly, India's gold imports are set to more than double in March from February's 33 tonnes, according to a government official with direct knowledge of the matter.
- Teranga Gold's annual output in Senegal is set to rise 40 percent as production climbed to 350,000 ounces per year from the previous 250,000 ounces. The company recently made an attractive acquisition to consolidate a land package consisting of nine operating licenses, which helped de-risk the company's Sabodala gold mine project. In other news, AuRico Gold announced that it completed a cash tender offer for 99.6 percent of its 3.5 percent convertible notes due 2016. The retirement of the convertible notes issue removes an overhang and clears the way for the stock going forward.

Weaknesses

- Data from the U.S. Mint shows that sales of gold coins dropped 32 percent in March from February, despite strong sales for silver coins which rose 43 percent. Similarly, the Perth Mint reported sales of 30,177 ounces in March, down from 47,000 ounces in February.
- Barrick Gold announced that it will unveil new compensation methods for board members and executives following shareholder uproar over previous compensation arrangements. Despite the progress made by Barrick, the decision to address shareholder concerns over executive compensation was long overdue, especially in a lower gold price, low margin environment. Corporate governance issues have been cited frequently by generalist investors as one of the reasons to avoid investments in the sector**.**
- DRDGold announced that its new fine grind and floatation circuit at Ergo has reduced gold recovery rather than improving it following commissioning in early January. As a result of this setback, first quarter production declined 14 percent and cash costs increased 24 percent, according to management. JP Morgan analysts expect the stock to underperform as there is no guarantee that the new circuit will achieve the expected increase in recovery.

Opportunities

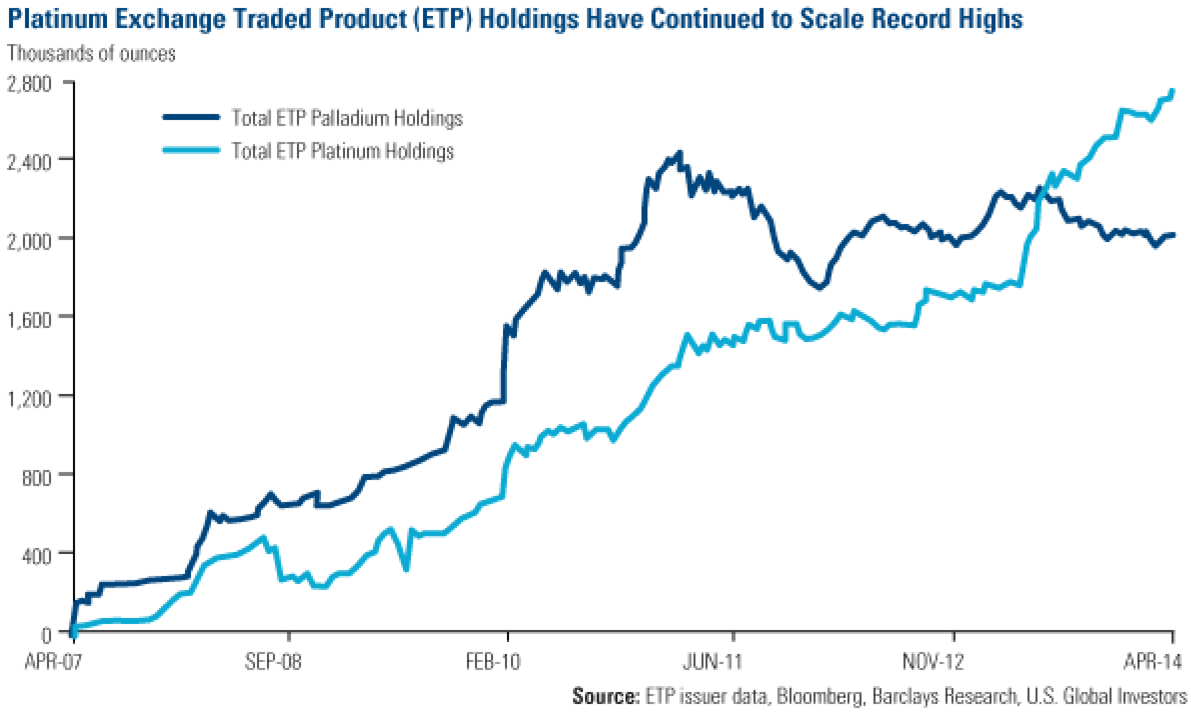
- Both the buy-side and the sell-side are warming up to gold. This week, Pecora Capital, a Florida-based asset manager, said gold will return to a record within five years as weaker equities spur demand for a safe haven. On the sell-side, Deutsche Bank raised its 2014 and 2015 gold price estimates, while Australia and New Zealand (ANZ) Bank raised its views to neutral after being bearish on the metal. ANZ analysts say their physical gold indicator increased toward the end of March, even in the face of a weaker Chinese currency.
- Yamana Gold made a unique offer to acquire 50 percent of Osisko, topping the previous Goldcorp bid. While it is encouraging to see the M&A activity in the sector picking up and a renewed interest in the sector, this particular transaction has evidenced the precarious state of corporate governance in the gold sector. Since 2012, and due to multi-billion dollar write-downs, an unprecedented number of CEOs in the mining space have been fired. As a result, CEOs are looking to protect their seats by bidding for fully valued assets with no execution risk. While one could argue such M&A strategy is more responsible than those previous years, the reality shows it offers higher returns for management than it does for shareholders.
- South Africa's platinum sector strikes have reached the 10-week mark as auto sales growth in the U.S. reached 10 percent this March, increasing the potential for a price spike amid supply constraints. The strikes, in which the unions have appeared intransigent, may put thousands of platinum workers out of work permanently, as mining companies seek to mechanize mines to halt cost escalation. A recent proposal criticizes the Black Empowerment status quo and calls for profit-sharing programs with employees that align their interests with those of the company and ensure all related parties receive economic benefit, not just the Black Empowerment groups.

Threats

- Natixis analysts argue downside pressures for silver are much higher than those of gold given the average mining costs for silver are around $7 per ounce (Natixis estimate). The bank has a base case for silver at $18.60 an ounce for 2014, and $15 per ounce in 2015, noting that prices could go as low as $10 per ounce. In their view, the liquidation of a portion of the nearly 20,000 tonnes of silver held in exchange traded products (ETPs) is a latent threat to the silver market.
- The new Chilean government headed by President Bachelet has vowed to raise taxes and increase social spending, at the cost of traditional producing sectors like mining. As a result, Codelco, the world's largest copper producer, and the largest miner in Chile, will appeal to the government to continue assisting in the financing and permitting of projects designed to support the mining industry, which has fueled the country's growth for decades through the payment of royalties and taxes.
- Executives from Caterpillar are expected to testify next week before a U.S. Senate subcommittee on allegations that the heavy equipment manufacturer used a foreign subsidiary to avoid paying $2.4 billion in U.S. taxes. This type of pressure on corporations to repatriate funds at a massive cost to investors is not new, and we may see more in the mining sector where companies pay taxes in the countries where they operate, not necessarily in the country where their head offices are located.

Global Resources Fund - PSPFX

Energy and Natural Resources Market



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Strengths

- Aluminum surged to its biggest weekly gain since November 2012 in London as orders to withdraw the metal for warehouses increased while producers looked to curb output.
- The price of nickel on the London metals exchange made a new 52-week high on further supply concerns over the export ban in Indonesia.
- West Texas Intermediate and Brent oil prices remained above $100 a barrel this week and gained over the prior two days after the U.S. employment report increased in March, indicating stronger demand for the fuel.

Weaknesses

- McCloskey newswire reports that semi-soft coal pricing for the second quarter is settling at $90 per tonne free on board (FOB) following negotiations between Australian producers and Japanese steel mills this week. This number is down just over 13 percent from the $103.50 per tonne first-quarter settlement.
- Manufacturing PMIs for March fell slightly from February's level for both developed and emerging economies, with a stronger U.S. not enough to offset mostly weaker prints elsewhere. The shifts were small, however, and the main theme is still that developed economies continue to outperform developing ones.
- Natural gas fell in New York trading this week as weather forecasts predicted warmer weather that would curb demand for the heating fuel.

Opportunities

- BHP on Tuesday confirmed its plans to focus its business on just four commodities – iron ore, copper, coal and petroleum – with potash a possible addition. That leaves its aluminum, manganese and nickel assets as non-core assets that could be spun off via IPOs or as asset divestitures.
- China outlined a package of measures including railway spending and tax relief to support the economy after the recent slowdown. The government will sell 150 billion yuan of bonds this year to help infrastructure projects mainly in less developed central and western regions. China will create a

development fund of 200 billion yuan to 300 billion yuan a year to increase sources of rail.

- Agriculture and fertilizer equities could strengthen as the cost of food worldwide has surged in March to its highest peak in 10 months, the United Nations Food and Agriculture Organization (FAO) reported. In a news release, the agency said that its most recent Food Price Index, which measures the monthly change in international prices of a basket of 55 food commodities, including meat, dairy, sugar, and cereals, went up 4.8 points or 2.3 per cent, averaging now 212.8 points.

Threats

- Chinese end-users of refined copper have limited purchases of the metal in a bet that prices will decline further after a 5 percent fall last month and despite a seasonal rise in orders as well as weaker domestic supply.
- The global refined copper market is seen flipping into a surplus of 405,000 tonnes this year after four consecutive years of apparent deficit as new mine supply outstrips demand, the International Copper Study Group (ICSG) said on Wednesday. In 2015, the ICSG expects a bigger global surplus of 595,000 tonnes as refined copper output continues to exceed the expected growth in consumption.

Frank Talk *Insight for Investors*

April 2, 2014
Gold's Touchdowns and Fumbles Reported on My New Kitco Show

April 1, 2014
4 Areas Revved Up for a Resources Boom

March 24, 2014
What Makes a Slam-Dunk Portfolio?

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

China Region Fund - USCOX • Emerging Europe Fund - EUROX

Emerging Markets

Strengths

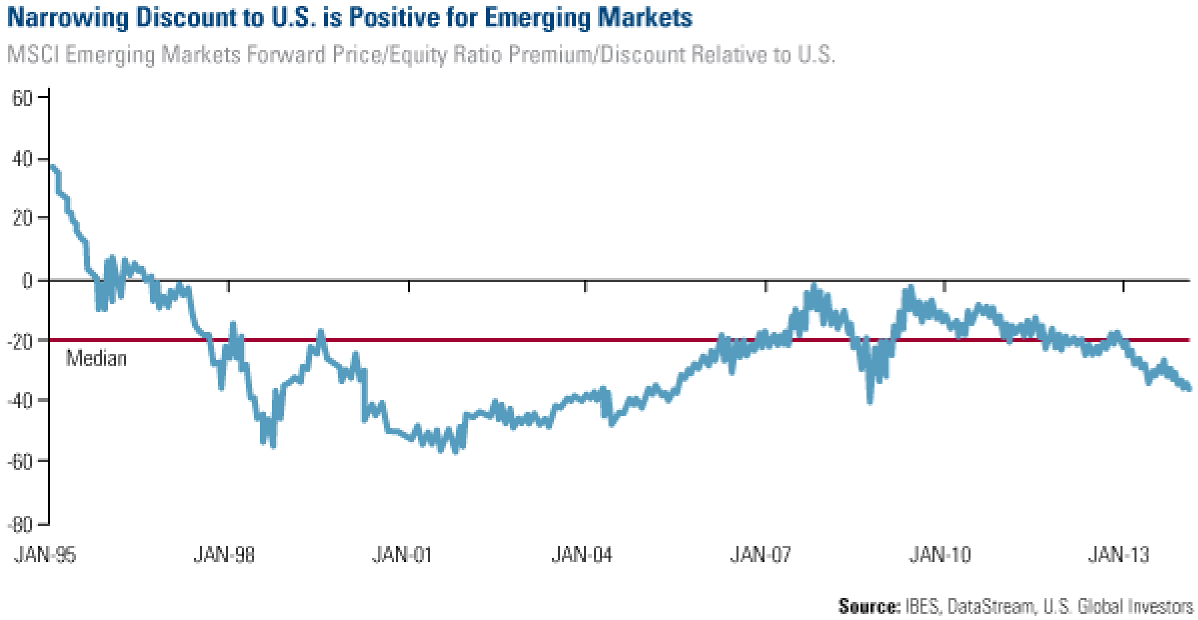
- After reporting cumulative outflows of $51.2 billion, or -6.6 percent of assets under management over the last 22 consecutive record outflow weeks, dedicated emerging market funds reported inflows of $2.49 billion this week. This is the first inflow week since October 23, 2013.
- Turkish GDP growth in the final quarter of the year stood at 4.4 percent, as both private investment and consumption growth accelerated, while public sector contribution also supported overall growth performance. In addition, the trade balance in February stood at $5.1 billion, the lowest since 2010, as exports rose 6.2 percent and imports declined 5.9 percent.
- Indonesia's consumer price index decelerated to a lower-than-expected 7.3 percent in March from 7.7 percent in February, driven by lower food prices. The trade balance in February returned to a surplus of $785 million, or 1.1 percent of GDP, significantly ahead of expectations due to a faster retreat of imports relative to exports.

Weaknesses

- China's final HSBC Manufacturing Purchasing Manager's Index (PMI) for March was revised down to 48 from the previous flash reading of 48.1, the lowest level in eight months, increasing the likelihood of first-quarter GDP growth slipping below 7.5 percent, the annual growth target set by the government.
- Brazil's central bank raised its benchmark rate by 25 basis points to 11 percent following a recent quarterly inflation report with full-year inflation and growth forecasts which were weaker than previously expected. An inflation bout caused by a rise in food prices as a severe drought hit crops has threatened to push inflation above the 6.5 percent ceiling of the official target range.
- Greece's Manufacturing PMI slowed to 49.7 in March from 51.3 in February, falling back below the 50-

point mark that separates growth from contraction, according to Markit. Although recent data showed increases in both output and new orders, the rate of growth slowed from February's high. A decline in new export orders, the first fall over the past three months, weighed on the inflows of new business.

Opportunities



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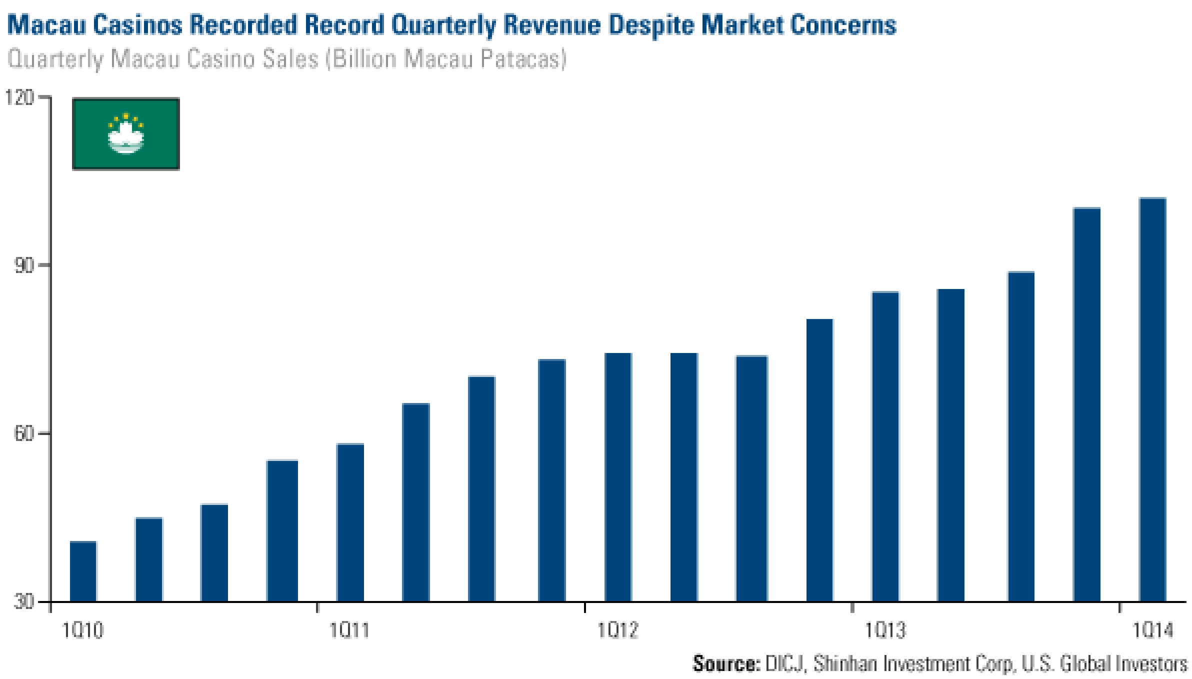
- According to JP Morgan strategists, emerging markets could rise 20 percent in 2014. The emerging market benchmark is currently trading at about a 35 percent discount to the U.S. markets and has the potential to narrow its discount, approaching the median level of around -20. The bank's strategists argue that the painful depreciation in emerging market currencies last year facilitates the reduction in current account deficits, especially at a time when developed markets' demand is accelerating. This demand should support exports and GDP growth in emerging markets.



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- Despite intermittent market concerns of a slowdown in Macau's gaming business, year-over-year growth in the city's casino revenue came out at 13 percent in March, and the aggregate amount for the first quarter posted another record. The lower base in April 2013 should bode well for a potential acceleration in year-over-year growth going forward, which is positive for investor sentiment in the sector.

- Nigeria could leap-frog South Africa to become Africa's biggest economy this weekend, when the results of a new GDP calculation are announced. While the rebasing is more cosmetic in nature, it has the potential to increase investment opportunities in Nigeria as investors will find it hard to ignore the continent's largest economy. The economy is projected to grow this year at a rate of 7.4 percent, according to the International Monetary Fund.

Threats

- A potential continuation of market rotation away from momentum and growth to reversal and value could sustain the countertrend rally in structurally challenged state-owned enterprises at the expense of rapidly growing innovative franchises in the near term, especially given the introduction of a government fiscal stimulus program in China this week.

- The Egyptian stock market's nine-month rally that saw the market jump nearly 70 percent on bets that popular defense minister Abdel-Fattah Al-Sisi would run for the presidency has started to break down. When the news of Al-Sisi's candidacy broke on Wednesday, many expected the market to shoot upwards; instead it lost 8.2 per cent as two bombs exploded outside Cairo University, with security forces fearing more attacks in the run-up to May elections.

- Russia's economy is on the brink of a technical recession after the composite PMI dropped to 47.8 last month from 50.2 in February, according to Markit Economics. While growth unexpectedly accelerated in the fourth quarter before tensions with Ukraine intensified, gross domestic output only expanded at a 1.3 percent pace in 2013, the slowest since a 2009 recession.

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(%)
DJIA	16,412.71	+89.65	+0.55%
S&P 500	1,865.09	+7.47	+0.40%
S&P Energy	659.50	+6.52	+1.00%
S&P Basic Materials	298.58	+3.36	+1.14%
Nasdaq	4,127.73	-28.03	-0.67%
Russell 2000	1,153.38	+1.57	+0.14%
Hang Seng Composite Index	3,136.42	+70.29	+2.29%
Korean KOSPI Index	1,988.09	+7.09	+0.36%
S&P/TSX Canadian Gold Index	185.26	-0.39	-0.21%
XAU	93.30	-0.06	-0.06%
Gold Futures	1,302.30	+7.80	+0.60%

Oil Futures	101.06	-0.61	-0.60%
Natural Gas Futures	4.42	-0.05	-1.23%
10-Yr Treasury Bond	2.72	0	0%

Monthly Performance

Index	Close	Monthly Change($)	Monthly Change(%)
DJIA	16,412.71	+16.83	+0.10%
S&P 500	1,865.09	-8.82	-0.47%
S&P Energy	659.50	+18.54	+2.89%
S&P Basic Materials	298.58	-2.03	-0.68%
Nasdaq	4,127.73	-224.25	-5.15%
Russell 2000	1,153.38	-55.27	-4.57%
Hang Seng Composite Index	3,136.42	-332.01	-14.83%
Korean KOSPI Index	1,988.09	+33.98	+1.74%
S&P/TSX Canadian Gold Index	185.26	-15.36	-7.66%
XAU	93.30	-7.19	-7.15%
Gold Futures	1,302.30	-32.30	-2.42%
Oil Futures	101.06	-2.27	-2.20%
Natural Gas Futures	4.42	-0.24	-5.23%
10-Yr Treasury Bond	2.72	+0.02	+0.85%

Quarterly Performance

Index	Close	Quarterly Change($)	Quarterly Change(%)
DJIA	16,412.71	-57.28	-0.35%
S&P 500	1,865.09	+33.72	+1.84%
S&P Energy	659.50	+17.97	+2.80%
S&P Basic Materials	298.58	+9.55	+3.30%
Nasdaq	4,127.73	-4.18	-0.10%
Russell 2000	1,153.38	-2.71	-0.23%
Hang Seng Composite Index	3,136.42	-65.22	-2.04%
Korean KOSPI Index	1,988.09	+41.95	+2.16%
S&P/TSX Canadian Gold Index	185.26	+23.71	+14.68%
XAU	93.30	+6.67	+7.70%
Gold Futures	1,302.30	+64.20	+5.19%
Oil Futures	101.06	+6.75	+7.16%
Natural Gas Futures	4.42	+0.09	+2.10%
10-Yr Treasury Bond	2.72	-0.27	-9.15%

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.

Bond funds are subject to interest-rate risk; their value declines as interest rates rise. 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. The Near-Term 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. The Near-Term Tax Free Fund 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.

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.

Past performance does not guarantee future results.

Some link(s) above may be directed to a third-party website(s). U.S. Global Investors does not endorse all information supplied by this/these website(s) and is not responsible for its/their content.

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

Fund portfolios are actively managed, and holdings may change daily. Holdings are reported as of the most recent quarter-end. Holdings as a percentage of net assets as of 12/31/13:

Ivanhoe Mines Ltd: Global Resources Fund, 0.46%; World Precious Minerals Fund, 0.13%
Yamana Gold, Inc.: Gold and Precious Metals Fund, 2.40%; World Precious Minerals Fund, 1.02%
Osisko Mining Corp.: Gold and Precious Metals Fund, 2.76%; World Precious Minerals Fund, 1.00%
Mirasol Resources Ltd: World Precious Minerals Fund, 1.37%
Pretium Resources, Inc.: Global Resources Fund, 0.41%; World Precious Minerals Fund, 2.34%
SEMAFO, Inc.: Gold and Precious Metals Fund, 3.52%; World Precious Minerals Fund, 1.53%
Charles Schwab Corp.: 0.0%
Best Buy: 0.0%
Anadarko Petroleum Corp.: Global Resources Fund, 0.64%
E*Trade: 0.0%
Teranga Gold Corp.: Gold and Precious Metals Fund, 0.56%
AuRico Gold: Gold and Precious Metals Fund, 0.01%; World Precious Minerals Fund, 0.01%
Barrick Gold Corp.: Gold and Precious Metals Fund, 2.93%; World Precious Minerals Fund, 0.45%
DRDGold Ltd: Gold and Precious Metals Fund, 0.69%
Goldcorp, Inc.: Gold and Precious Metals Fund, 0.21%; World Precious Minerals Fund, 0.19%
Codelco: 0.0%
Caterpillar: 0.0%
BHP Billiton Ltd: Global Resources Fund, 3.32%

*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 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 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 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 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.