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U.S. Global Investors
Investor Alert

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600 Million Reasons to Keep Your Eyes on India

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Prime Minister Narendra Modi tells America's top businesses: "Come, make in India."

In the wake of his rock star reception at Madison Square Garden on Sunday, Prime Minister Narendra Modi has emphatically announced to our nation's top corporate and political leaders that India is now open for business. Between September 26 and 30, he met with not only President Barack Obama and other high-profile politicians but also the CEOs of some of our nation's largest and most successful companies: Google—which we own in both our All American Equity Fund (GBTFX) and Holmes Macro Trends Fund (MEGAX)—Boeing, PepsiCo and General Electric, among others.

All that's missing is a ribbon cutting ceremony.

Although U.S. Global Investors typically doesn't invest in India, the country has recently found itself in the driver's seat of global resources demand and production. This is a tailwind for our Global Resources Fund (PSPFX), which maintains heavy exposure in the industries that India will increasingly need to support its more than 1.25 billion (and counting) citizens: oil and gas, chemicals, energy services and infrastructure, precious metals and food.

India's culture is ancient, dating back more than five millennia, but it has a disproportionately young population. As the world's second-most populous country, India is home to roughly 600 million people under the age of 25. That's close to half of its own population and a little less than twice the entire U.S. population. Over the next few years, this one generation will largely be responsible for charting the country's trajectory into its next stage of economic development.

As old as India's culture is, millions of its citizens seek the contemporary American dream of opportunity and prosperity. They rely on their new leader, former tea merchant Narendra Modi, as their ambassador of "hope for change," as he put it in his September 25 *Wall Street Journal* op-ed.

India Opening Its Wallet to International Sellers

At its current rate of population growth, the South Asian country will in the coming years be in need of biblical amounts of natural resources to meet the ambitious economic and social plans the newly-elected prime minister has laid out.

Among other goals, Modi envisions "affordable health care within everyone's reach; sanitation for all by 2019; a roof over every head by 2022; electricity for every household; and connectivity to every village."

The energy infrastructure alone will require staggering amounts of copper conductors, iron, electrical steel and oil. As I wrote back in May, Modi has a proven track record for bringing electricity to Indians who previously

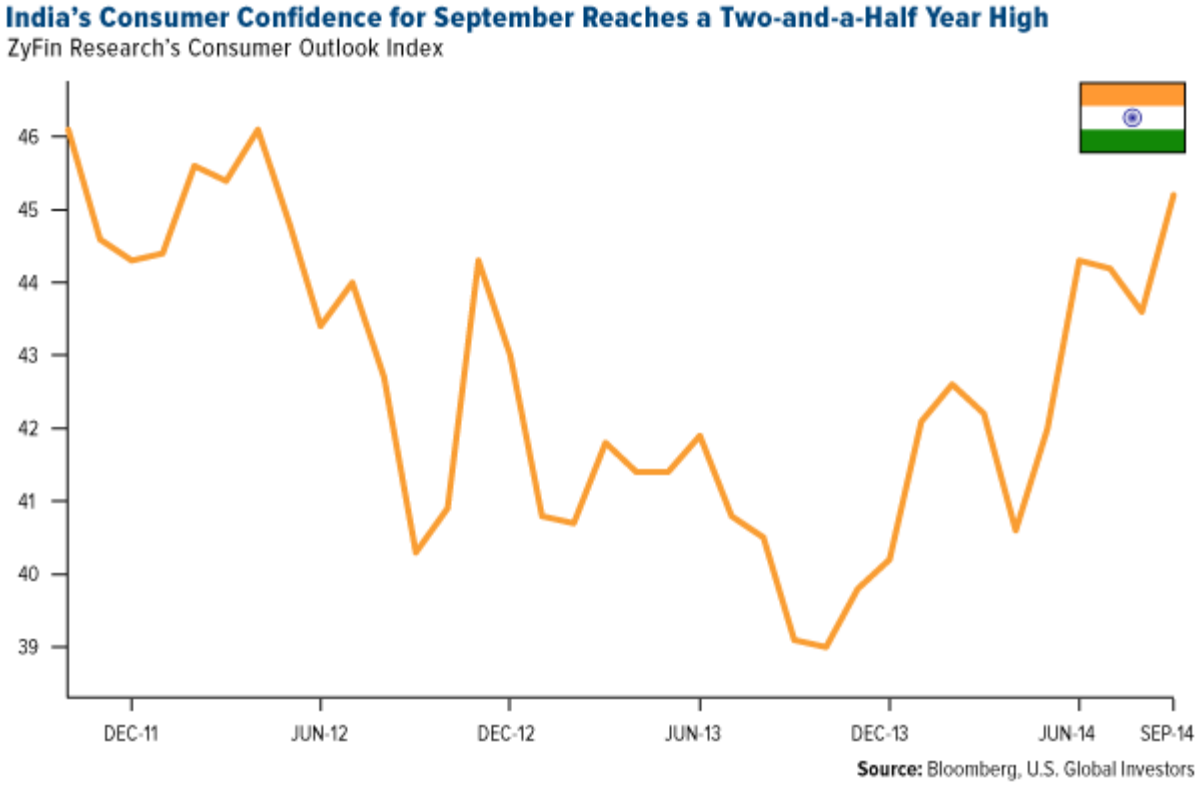
never had it.

The prime minister also asserts: “The number of cell phones in India has gone up from about 40 million to more than 900 million in a decade; our country is already the second-largest market for smartphones, with sales growing ever faster.”

China is currently the world’s largest smartphone market.

Most smartphones require a combination of many precious metals, minerals and other materials, including gold, aluminum, glass, steel, lithium and various rare earth elements you might never have heard of such as yttrium, praseodymium and dysprosium.

Since Modi’s election in late May, the consumer outlook index in India has risen nearly 8 percent. At 45.2, however, it’s still about five points shy of 50, the pivotal threshold that indicates, on balance, that more consumers perceive the economy to be improving.



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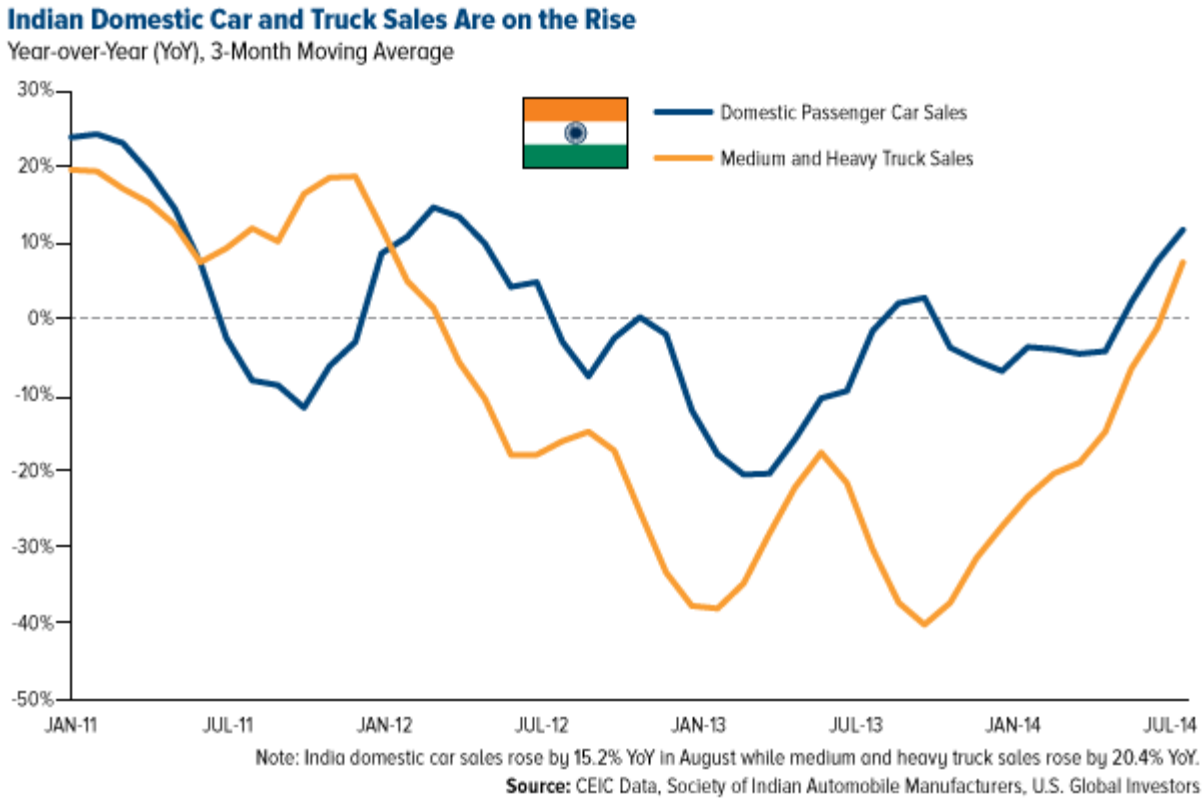
Planes, Trains and Automobiles

As population mounts and business and manufacturing activity increases, India’s need for additional cars and trucks has accelerated this year. Vehicle production uses not only many of the materials already mentioned but also palladium, lead, zinc and others.



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India, the world's largest importer of weapons, also has its eyes on American-made military aircraft—more than $3 billion worth. The Asian country is already the U.S.'s leading defense market, and companies such as Boeing, Lockheed Martin and Sikorsky are no doubt pleased to hear that Modi's government is committed to ramping up its defense spending.

According to the *Wall Street Journal,*among the purchases Prime Minister Modi might consider during his visit to the U.S. are 22 Apache attack helicopters, 15 Chinook heavy-lift helicopters and 24 Harpoon anti-ship missiles.

Below is a video courtesy of National Geographic that illustrates just how many metals, chemicals and other materials go into the assembly of a single Apache helicopter.

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Going Long in India

Many economists and pundits have already likened Prime Minister Modi's transformative pro-business position to that of Ronald Reagan and Margaret Thatcher—and his media darling status to that of Barack Obama circa 2008.

Even before Modi's election, India was drawing the attention of global investors seeking growth and opportunity. Last month the portfolio manager of our China Region Fund (USCOX), Xian Liang, had the pleasure to attend a presentation in Hong Kong by CLSA's Chris Wood, recognized as the one of the best strategists in Asian markets. During his speech, Wood maintained that India has been and continues to be his favorite market in the region, now more than ever since Modi's ascent:

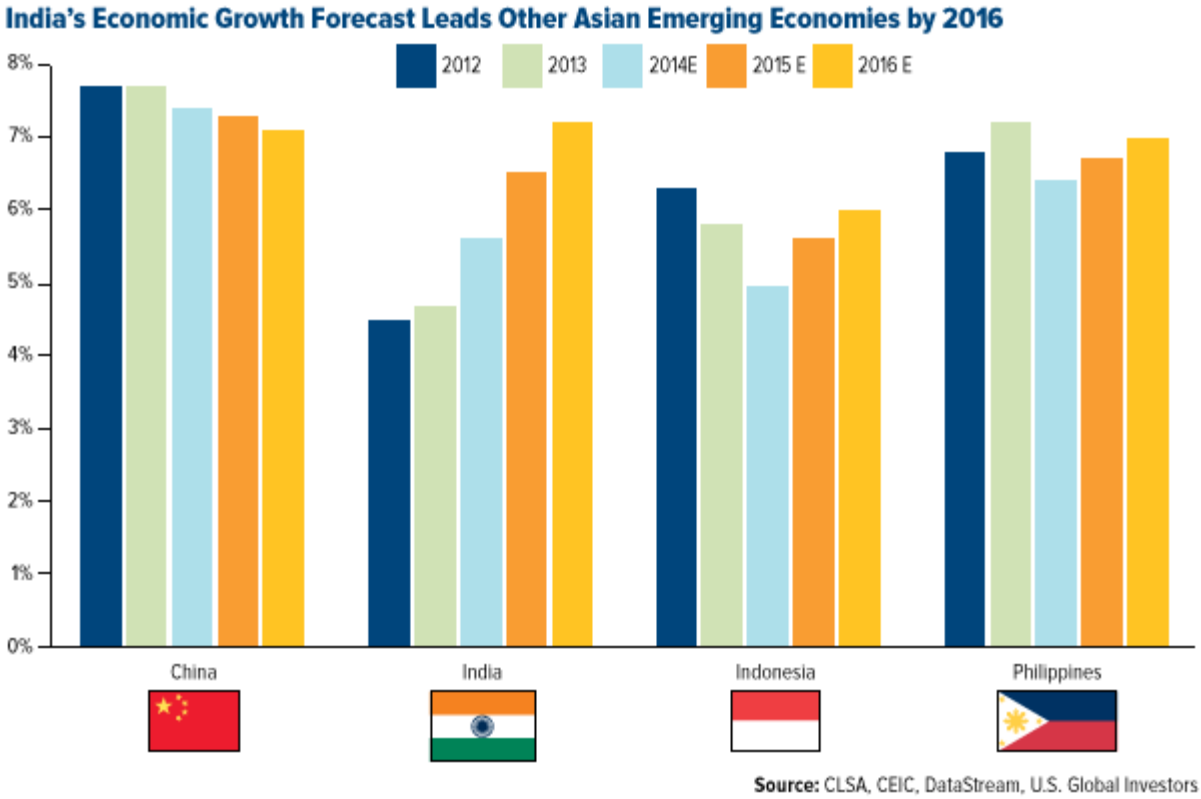
> *I have, in fact, allocated 41 percent of my long only portfolio to India... I am not going to pull out because I am viewing India as a five-year story given the fact that Modi has been elected for five years. Modi is the most pro-business, pro-investment political leader in the world today.*

CLSA's Chris Wood is extremely bullish on India, deeming it the most attractive BRIC country for investors.

Wood went on to argue that among the four BRIC countries—Brazil, Russia and China included—India is the best place for investors to be right now.

But with Brazil's economy limping along at less than a 1-percent growth rate and Russia's wounded by international sanctions, it's hardly an intellectual feat to declare India the BRIC country with the greatest potential.

The chart below places India in context with other emerging Asian countries. As you can see, whereas the economies of China, Indonesia and the Philippines are flat or slowing, India's is growing rapidly and projected to have a 7.2-percent growth rate by 2016, a 60-percent jump since 2012.



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With Modi actively seeking partnerships with some of America's largest companies, it appears more and more

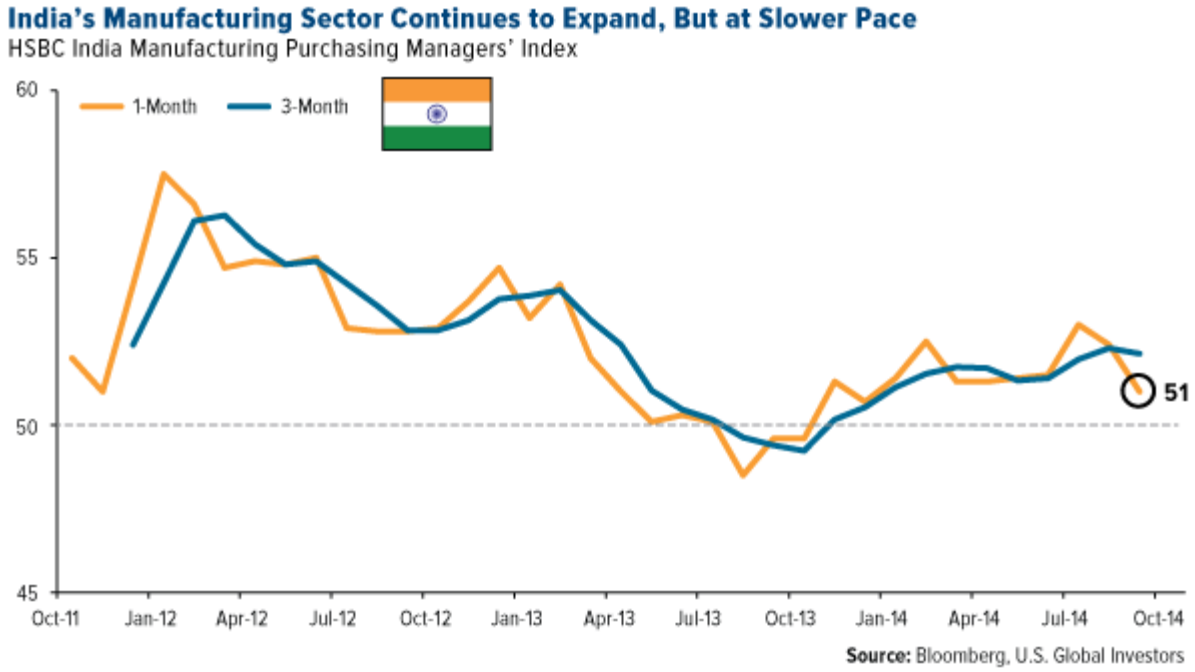
likely that India can realize this optimistic growth rate.

The Challenges Ahead

Despite all of the good news, India has many economic and political challenges to overcome before it can truly take off and achieve legitimate powerhouse status. According to the World Bank Group, the country ranks 134 in its Ease of Doing Business 2014 Rank, just below Yemen and Uganda. And out of 144 countries, India ranks 71 in the World Economic Forum's recently-released Global Competitiveness Report 2014-2015, scoring 4.21 out of 7.

Tortuous trade barriers, which Modi has expressed his resolve to liberalize, still hinder constructive international business dealings. Gold import duties remain in effect, which has allegedly led to an increase in smuggling.

Also, although India's manufacturing sector in September showed modest growth for the eleventh consecutive month, the pace at which it grew is the slowest we've seen since December 2013. For the first time since March, the one-month moving average for the country's purchasing managers' index (PMI) crossed below the three-month. This move contributed to the J.P. Morgan Global Manufacturing PMI's recent cross below the three-month, which, as I discussed recently, could be a headwind for commodities and commodity stocks.



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But such challenges don't appear to daunt the new prime minister.

"India is going to march ahead at a very fast pace," Modi told his nearly 20,000 attendees at Madison Square Garden on Sunday. "The 21st century will be that of India. By 2020, only India will be in a position to provide workforce to the world."

We at U.S. Global Investors wish Prime Minister Modi, his new government and the 1.25 billion Indians all the best.

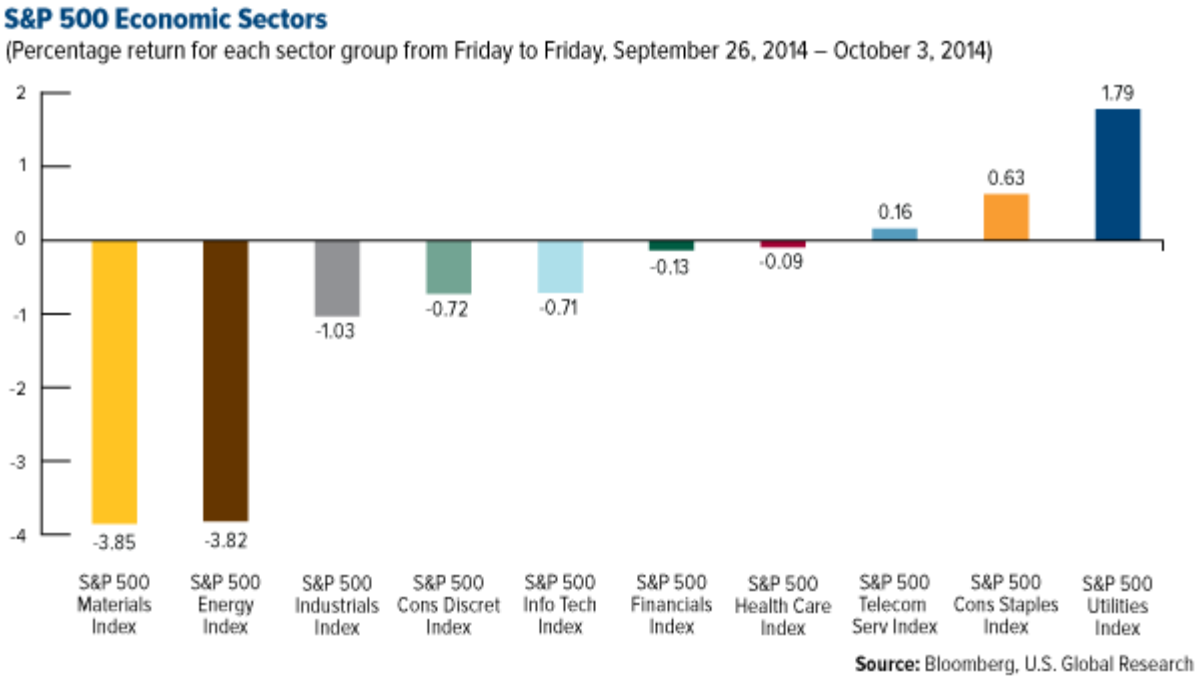
Index Summary

- Major market indices finished lower this week. The Dow Jones Industrial Average fell 0.60 percent. The S&P 500 Stock Index dropped 0.75 percent, while the Nasdaq Composite declined 0.81 percent. The Russell 2000 small capitalization index fell 1.23 percent this week.
- The Hang Seng Composite fell 2.59 percent; Taiwan gained 1.30 percent while the KOSPI lost 2.73 percent.
- The 10-year Treasury bond yield fell nine basis points to 2.44 percent.

All American Equity Fund - GBTFX • Holmes Macro Trends Fund - MEGAX

Domestic Equity Market

The S&P 500 Index pulled back again this week, although the movement appears to be nothing more than normal volatility. The market fell on global growth concerns as well as global central bank policy inaction, a very similar tone as the last few weeks. The market was able to stage a rally on Friday, ending the week on a positive note. It continues to feel as if the bull market is in effect with another modest pullback.



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Strengths

- The utilities sector outperformed this week in a broad-based rally for interest rate-sensitive and defensive areas of the market. Bonds rallied sending yields lower on weak global purchasing managers' index (PMI) data.
- The consumer staples sector also outperformed as food-related stocks such as Tyson Foods, Hormel Foods and Coca-Cola showed strength. Tyson was the best performer in the S&P 500 this week rising by 10.49 percent. The company continues to benefit from falling grain prices and improving margins in the packaged foods business.
- Tyson Foods was the best performer in the S&P 500 as mentioned above, but select health care names also performed well, such as Mylan and Alexion Pharmaceuticals. Mylan raised its earnings guidance this week and Alexion Pharmaceuticals rallied on positive comments from a major sell-side brokerage firm.

Weaknesses

- The energy and materials sectors were by far the worst performers this week as the U.S. dollar rallied and global manufacturing indices disappointed. Concern is building about global demand for commodities as both sectors sold off.
- The industrial sector was under pressure this week, specifically for economically-sensitive companies. Key detractors included Jacobs Engineering Group, Flowserve and Joy Global.
- Noble Corp. was the worst performer in the S&P 500 this week, falling by 12.15 percent. A combination of falling oil prices and falling day rates for offshore rigs is pressuring the entire offshore oil services and drilling market.

Opportunities

- The Federal Reserve remains accommodative and other global central banks even more so. This should provide a strong tailwind for equities.
- The U.S. economy is currently a bright spot in the developed world, potentially allowing money to funnel back into the U.S. equity market.
- The path of least resistance for the market appears higher as this "classic" bull market phase of grinding higher with lower volatility remains intact for now.

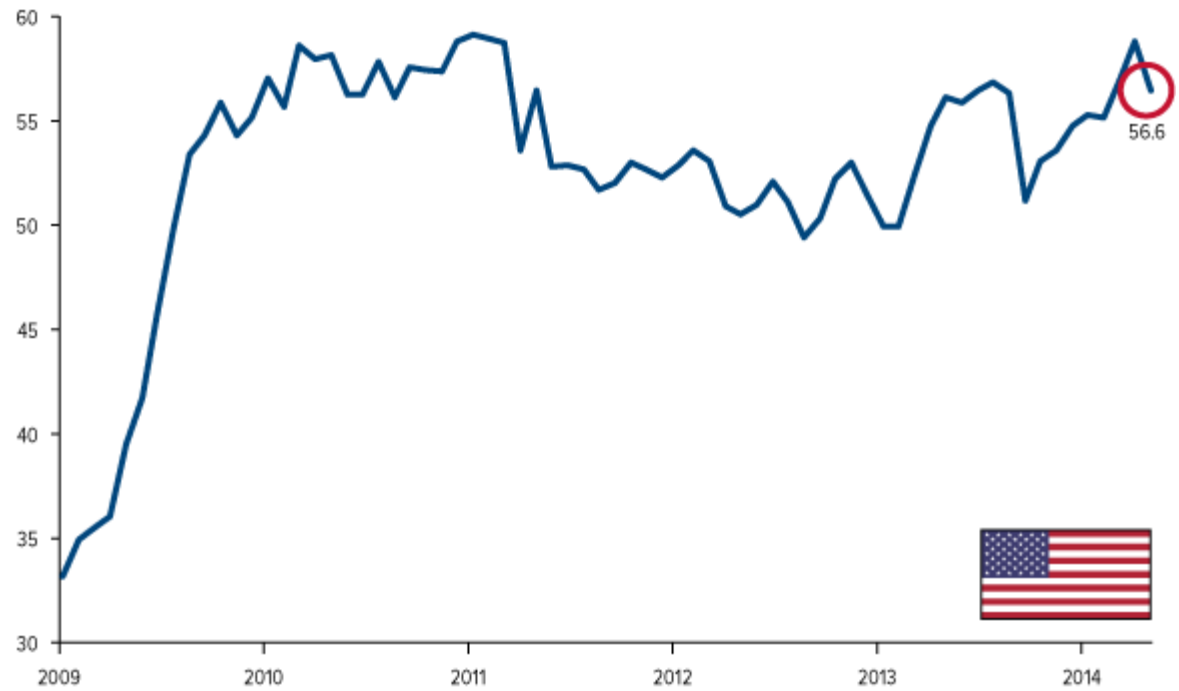
Threats

- Volatility has been remarkably low and this bull market has been an abnormally smooth ride. This calmness won't last forever and late summer/early fall has traditionally been more volatile.
- There is growing attention being paid to economic softness in Europe and China which is a real threat to the global growth outlook.
- Geopolitical tensions remain high, and while the market has been able to shrug off these events so far, an escalation could be the catalyst for a long-awaited correction.

The Economy and Bond Market

Treasury yields were lower this week on the back of weak global economic data. In the U.S., the ISM Manufacturing Index disappointed versus expectations and although the index declined, it did so from a high level. Comparable European data also disappointed this week, but with much less margin for error. The Markit/BME German Manufacturing Purchasing Managers' Index (PMI) fell below 50 for the first time in more than a year, indicating modest contraction in German manufacturing. This news is significant and may require the European Central Bank (ECB) to become more aggressive in its quantitative easing (QE) endeavors.

ISM Manufacturing Purchasing Managers' Index Cools in September



Source: Bloomberg, U.S. Global Investors

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Strengths

- Nonfarm payrolls for September were better than expected, rising to 248,000 jobs. In the past two months we've also seen numbers revised higher by an additional 69,000.
- The U.S. dollar continued its remarkable rally this week, appreciating by nearly 9 percent since the end of June. This is positive from an inflation perspective and will likely give the Federal Reserve more room to maneuver and push out any interest rate increase even further.
- Long-term bonds have staged a significant rally in the past two weeks as the 10-year Treasury was back near recent lows mid-week.

Weaknesses

- Looking around the world, manufacturing PMIs generally disappointed; Europe was weak, China was average and the U.S. disappointed.
- The ECB took a "wait-and-see" approach that also disappointed since the market wanted a more definitive QE plan of action.
- According to the S&P/Case-Shiller 20-City Index, home prices fell 0.5 percent in July, the biggest decline since July 2011.

Opportunities

- Bond yields in Europe remain low, with some short-term European bond yields trading in negative territory. U.S. fixed income yields look attractive and will likely bring money flows from overseas.
- With global growth slowing and a strong dollar relieving inflation pressures, the Fed could remain on hold longer than the market currently expects.
- With key global central banks back into easy policy mode and inflation trending lower in many parts of the world, the path of least resistance for bond yields likely remains down.

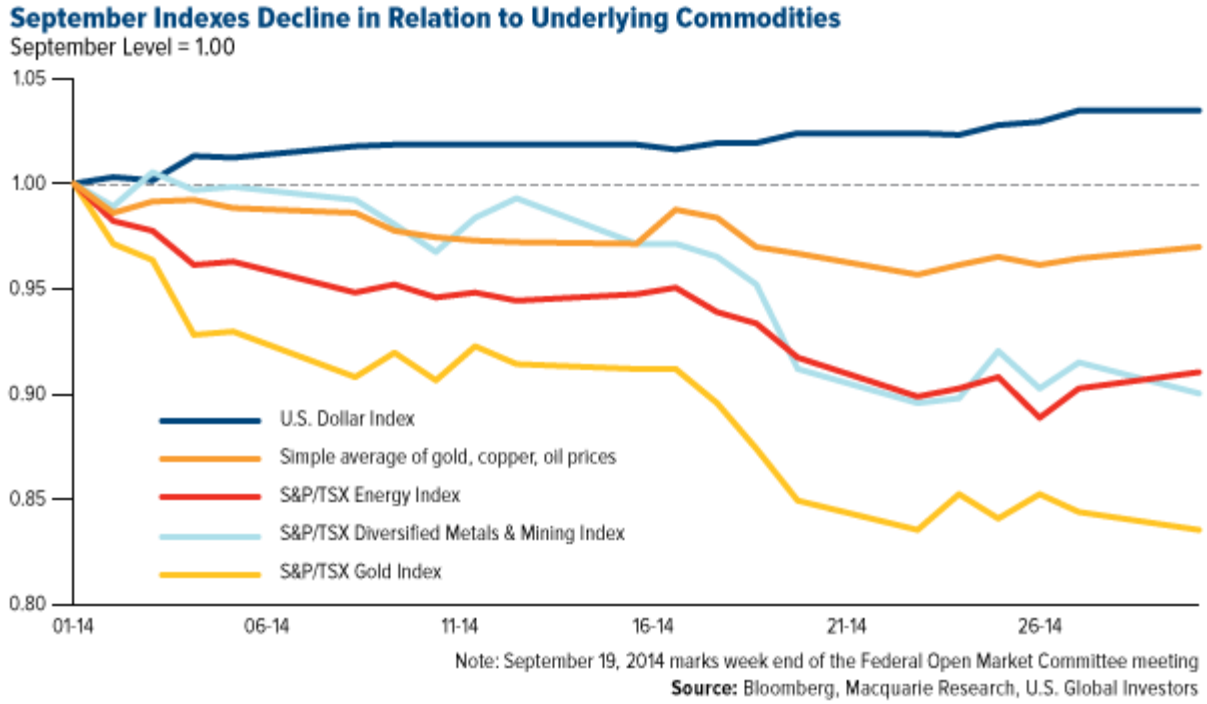
Threats

- The U.S. economy has some positive momentum and appears poised to continue building on that as we move into the fall. If the economy gains strength it could force the Fed's hand.
- The geopolitical situation remains unsettled and a flare-up could occur at any time.
- With no big economic or central bank events occurring in the coming week, the focus will likely shift to macro or geopolitical events which are very difficult to predict, adding to the noise factor.

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

Gold Market

A Crowded Trade – When Everyone is Bearish, Get Ready for a Price Reversal



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For the week, spot gold closed at $1,191.76 down $26.62 per ounce, or 2.18 percent. Gold stocks, as measured by the NYSE Arca Gold Miners Index, fell 5.70 percent. The U.S. Trade-Weighted Dollar Index rose 1.19 percent for the week.

Date	Event	Survey	Actual	Prior
Sept 29	Germany CPI YoY	0.8%	0.8%	0.8%
Sept 30	Eurozone Core CPI YoY	0.9%	0.7%	0.9%
Oct 01	US ISM Manufacturing	58.3	56.6	59.0
Oct 02	ECB Main Refinancing Rate	0.05%	0.05%	0.05%
Oct 03	US Change in Nonfarm Payrolls	215K	248K	180K
Oct 09	US Initial Jobless Claims	293K	--	287K

Strengths

- Gold coin sales out of the Perth Mint, Australia's largest gold refiner, rose to 68,781 ounces in September, the highest level since October of last year. The increase in buying comes primarily from Asian buyers, who account for 80 percent of Perth Mint's sales. This trend of increasing gold coin sales is playing out in the United States as well, where September sales roughly doubled to 58,000 ounces from August.
- Singapore Exchange Ltd. is set to start trading a kilobar gold contract this month. The exchange joins others in the region, such as the Shanghai Gold Exchange, which started bullion trading in the Shanghai free-trade zone last month. These two developments reveal the importance of the global gold market to Asia.
- Gold demand in China is still on the rise. In the past four weeks, withdrawals from the Shanghai Gold

Exchange amounted to over 170 tonnes. The increasing purchases out of China and the rest of Asia underline the resilience of gold demand as prices have pulled back.

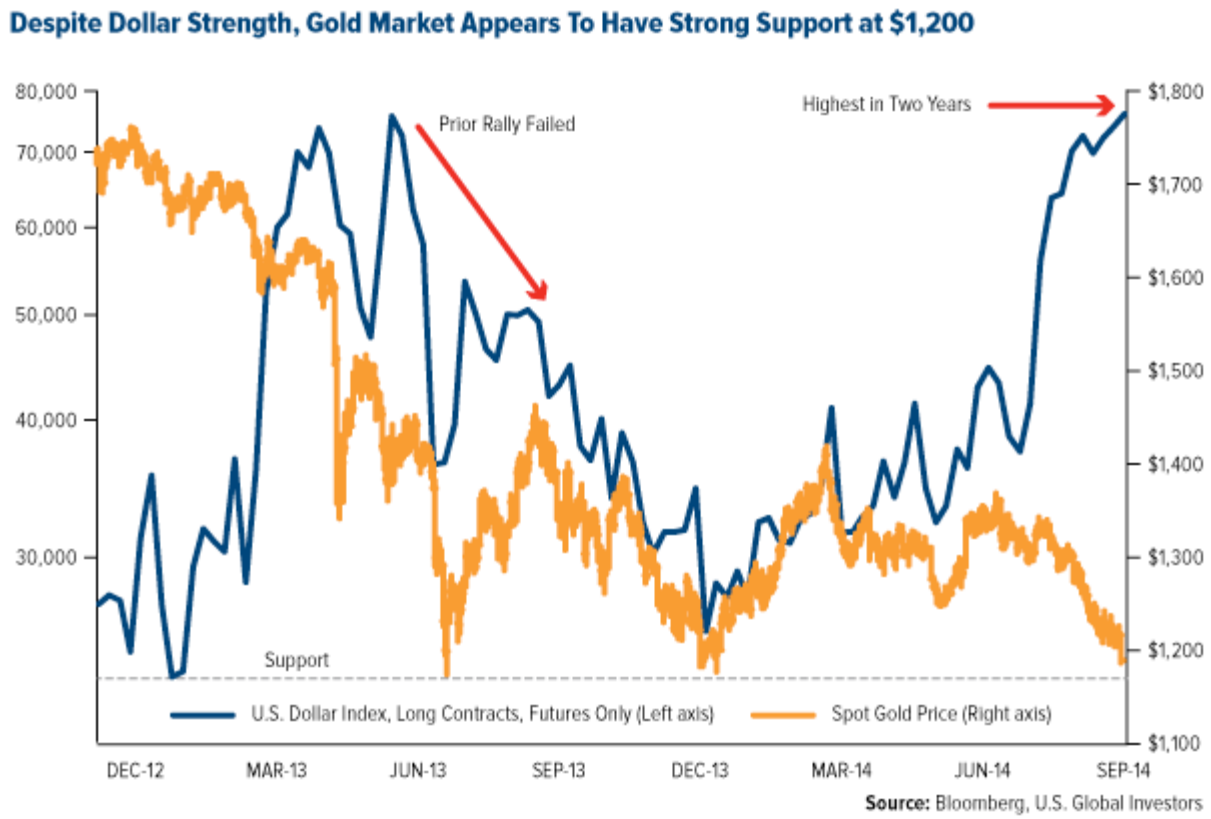
Weaknesses

- Gold production by United States mines was down 10 percent year-over-year in June. The decline stems primarily from lower production from Barrick Gold's Cortez Mine and Newmont Mining's Nevada operations. In contrast, Russian gold production for eight months this year increased 19 percent year-over-year.
- This Wednesday, platinum prices reached a five-year low. The precious metal has been suffering along with its peers in the strong dollar environment. Back in late July and early August, platinum traded at roughly $1,500 per ounce. Currently prices are below $1,300 per ounce.
- Standard Chartered Bank is cutting its exposure to the diamond business after the jewelry chain Winsome defaulted. Another problem is that bulk orders from the United States are for lower-quality jewelry, smaller diamonds and lower-caret-value gold. The economic recovery in the United States was thought to revive demand for higher-quality products. However, this scenario has not played out yet, causing many to forecast weakness in the industry.

Opportunities

- Klondex Mines Ltd. updated its mineral resource estimate. With respect to the Midas mine, the company has increased gold equivalent grade by 8 percent and the total gold equivalent ounces by 78 percent in the first seven months. The report also extended the mine life at the time of acquisition from three to five years with further room to grow. With this positive news from Klondex, it comes as no surprise that RBC Capital Markets added the company to its "Best Ideas Portfolio" for the fourth quarter of this year.
- With one of China's primary goals being to increase international use of its currency, the yuan, it should accumulate more gold. This is the view taken by Song Xin, President of the China Gold Association, who believes China should accumulate 8,500 tonnes in reserves. This logic stems from the fact that, when each country's currency became internationalized, the United States and the United Kingdom held over 50 percent of their reserves in gold. If China seeks to do the same, gold demand and prices should see substantial gains.
- Alan Greenspan, former Chairman of the Federal Reserve, articulated in an article in Foreign Affairs that China would see unexpected strength in the international financial system if it were to convert some of its foreign exchange reserves into gold. Clearly, there is speculation as to the advantages China could have if it were to purchase and hold more gold.

Threats



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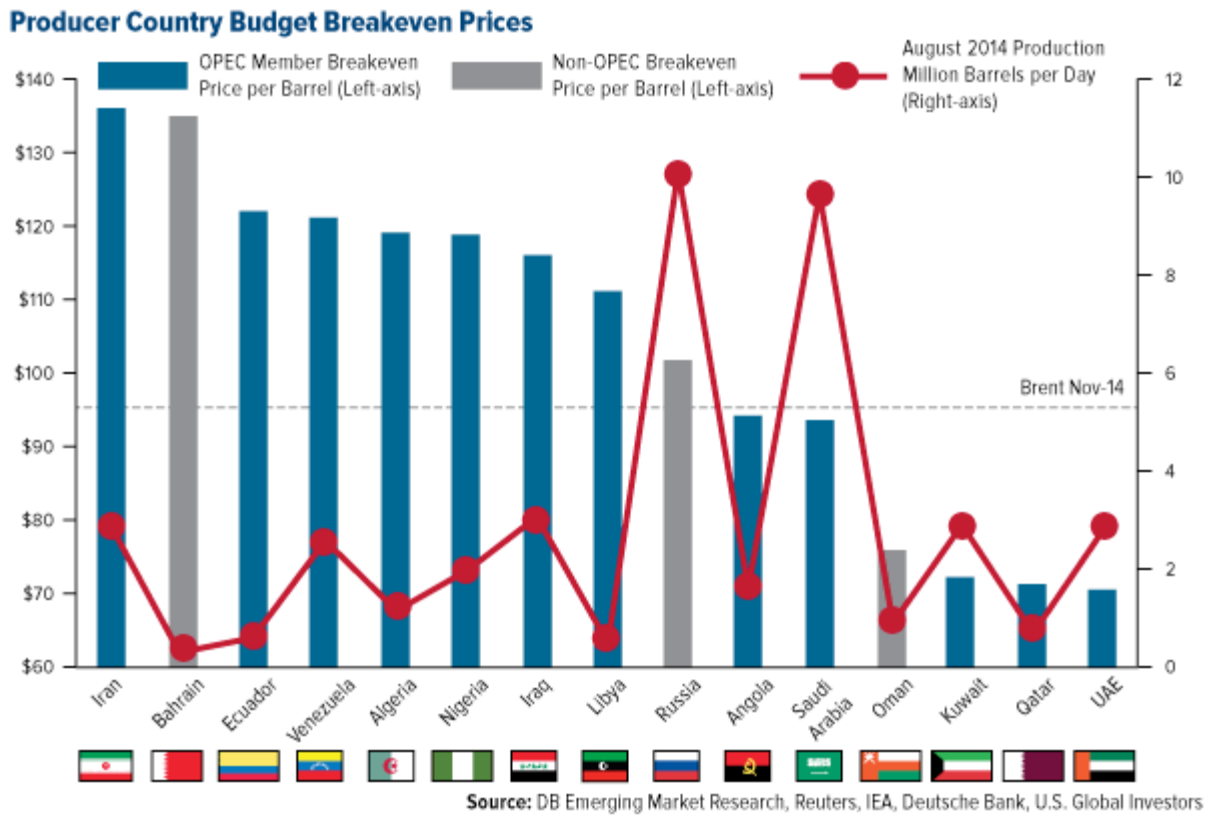
- The dollar continues to climb higher and higher, weighing on all commodity prices including gold. However, according to UBS, the dollar's rally is due to deteriorating credit as opposed to strong growth in the United States. If true, this would mean more trouble for industrial metals, but gold should ultimately benefit from that outcome.
- Dedicated gold funds are not seeing significant new inflows of cash to add to their positions currently. Some have speculated that gold equities may fall lower if general investors choose to wait until after the Fed hikes interest rates to start purchasing gold stocks.
- The United States employment data that was released this Friday showed the unemployment rate falling to 5.9 percent, the lowest level since the summer of 2008. While this may be viewed as a sign of a strengthening labor market, it ignores the fact that the labor participation rate has fallen much further. In September, the labor force participation rate fell to its lowest level in 36 years with more people leaving the workforce than jobs created. People not in the labor force rose to a record high of 92.6 million.

Global Resources Fund - PSPFX

Energy and Natural Resources Market



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Strengths

- Tanker stocks saw a huge jump this week, as Teekay announced plans to increase its annualized dividend by 75 to 80 percent. The Bloomberg News Tanker Index was up 13.65 percent this week.
- The packaged food industry outperformed this week, led by Tyson Foods. The stock was raised from underperform to neutral this week by Credit Suisse. The S&P Supercomposite Packaged Foods Index rose 0.8 percent.
- Aluminum prices quoted on the London Metals Exchange jumped 1.3 percent on Friday after the U.S. released positive employment data, revealing the lowest unemployment rate since the financial crisis.

Weaknesses

- Energy stocks continue to suffer in the strong-dollar environment. The S&P 500 Energy Index was down 3.82 percent this week, while the S&P Oil & Gas Drilling Index declined 9.37 percent.
- Base metal stocks remain weak as global growth scares persist. The recent weak economic data out of the eurozone and China is still weighing down markets. The S&P/TSX Capped Metals & Mining Index was down 6.56 percent this week.
- Gold stocks remain under pressure as weak global inflation data and a strong dollar weigh on the precious metal.

Opportunities

- The Chicago Board Options Exchange (CBOE) total put-to-call ratio reached 1.29 this week, signaling extreme fear in the broad equity market. Typically this level of protective put buying versus calls represents an attractive entry point for equity investors.
- It appears we have reached the bottom for oil prices. The good news stems from Saudi Arabia's intervention in global markets to curb supply. Saudi Arabia recently cut production in August by 408,000 barrels per day, which is more than China's demand is expected to increase. This rebalancing should prop oil prices up moving into next year.
- Japanese banks are lending roughly $3.8 billion toward a natural gas liquefaction and liquid natural gas

(LNG) loading facility near Freeport, Texas. The news is an optimistic sign of expansion in the energy market despite the recent downturn.

Threats

- The number one threat facing commodities continues to be a strong U.S. dollar, which has appreciated more than 7 percent since the start of July. Given the severity of the dollar's almost unchecked recent rise, the odds of a near-term pause or consolidation have likely increased.
- Despite positive economic data from the United States, markets remain worried about growth in Europe and China. Any real or perceived threat to global growth, regardless of a strengthening U.S. economy, remains a threat to commodities, especially to industrial metals.

Emerging Markets

Strengths

- Vietnam was among the best performing countries in Asia this week, as its government initiated efforts to advance the country's status from a frontier market to an emerging market at MSCI Inc. This would help attract more global investors to its $60-billion equity market, currently around one-tenth the size of Singapore's.
- Taiwan also outperformed within the emerging market universe. Companies on Apple's supply chain managed to rebound for the most part after China officially approved the iPhone 6 for sale in the mainland.
- Hungary rallied this week on the back of the financial sector, which previously underperformed after the government accused the banking sector of unfair lending practices. FHB Mortgage Bank led the rally, rising 11.48 percent this week. The forint advanced this week against the euro as Hungary's minister of economy commented on the need for a favorable exchange rate to reduce public debt. The Budapest Stock Exchange rose 0.88 percent this week.

Weaknesses

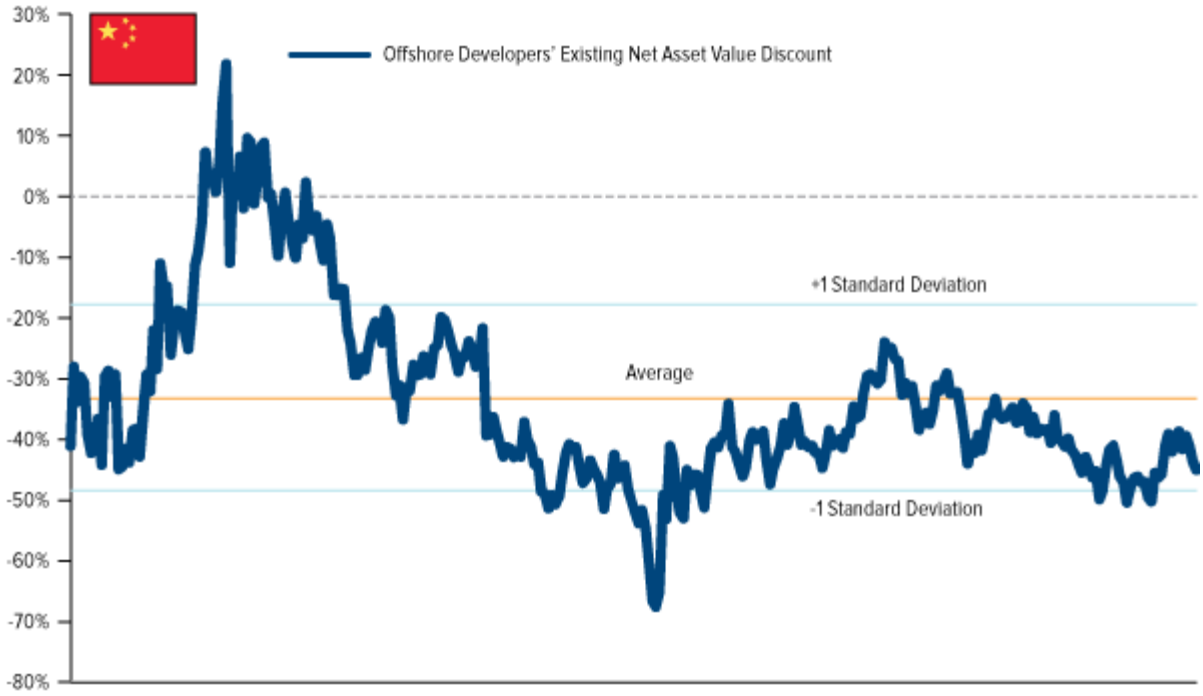
- The Russian economy seems to be in trouble. The ruble continues its decline, fueling a lack of foreign liquidity for domestic companies, while borrowing costs remain at intolerably high levels. Recently, there has been growing speculation that the country will adopt capital controls to contain outflows. These are all reasons why Russia continues to appear as a place to avoid.
- Brazilian presidential election polls continue to show the incumbent Dilma Rousseff taking a commanding lead. It appears most investors have accepted that Rousseff will likely be reinstated, causing a large sell off this week. Volatility surrounding the election should cease after this weekend, when it scheduled to take place. The Ibovespa Brasil Sao Paulo Stock Exchange declined X percent this week, while the real tumbled 1.64 percent against the dollar.
- Worries over the stability of the Greek financial system are mounting. According to the country's Growth and Competitiveness Minister Nikolas Dendias, non-performing bank loans have climbed to nearly 80 billion euros. The government remains optimistic that the country is still on the right track. However, the markets are not so confident, as the 10-year yield on Greek debt climbed roughly 18 basis points this

week.

Opportunities

- China's central government announced the most significant relaxation of mortgage policies since 2008, effectively lowering both down-payment ratios and mortgage rates for home buyers. This move is a substantial follow-up after the recent abolition of home-purchase restrictions by various local governments. Chinese property developers, still trading at a material discount to their net asset values, may resume upward revaluation by the market given the shrinkage of tail risk in the near term.

Government Policy Relaxation on Mortgages Should Benefit Chinese Property Developers



Source: Goldman Sachs, Datastream, Gao Hua Securities Research, U.S. Global Investors

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- The strong employment data out of the U.S. on Friday could help boost growth in emerging markets. The improving economic environment in the U.S. will foster a higher demand for imports, creating a potential tailwind for emerging market exporters.

Threats

- The "Occupy Central," pro-democracy protest in Hong Kong has unfolded in a city where there were already challenges of slowing retail sales and visitor arrivals from mainland China. While the situation remains extremely fluid, investor sentiment in the near term could be especially negative towards the most visible casualties, such as Hong Kong-based retailers.

- Mario Draghi, President of the European Central Bank (ECB), announced his plan to increase the bank's balance sheet by 1 trillion euros over two years by purchasing asset-backed securities. The plan should push the euro down further, which would only serve to boost the relative value of the dollar. The continuation of a stronger dollar and a weaker euro will weigh on emerging market performance.

- The Federal Reserve is expected to officially halt its quantitative easing (QE) program on October 15. The conclusion of the program will reduce the degree of monetary stimulus in the U.S. economy which could put upward pressures on rates and the dollar, negatively affecting emerging markets.

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	17,009.69	-103.46	-0.60%
S&P 500	1,967.90	-14.95	-0.75%
S&P Energy	646.26	-25.69	-3.82%
S&P Basic Materials	305.54	-12.24	-3.85%
Nasdaq	4,475.62	-36.57	-0.81%
Russell 2000	1,105.59	-13.74	-1.23%
Hang Seng Composite Index	3,171.48	-79.56	-2.45%
Korean KOSPI Index	1,976.16	-55.48	-2.73%
S&P/TSX Canadian Gold Index	162.08	-8.64	-5.06%
XAU	78.42	-5.50	-6.55%
Gold Futures	1,192.10	-23.30	-1.92%
Oil Futures	89.78	-3.76	-4.02%
Natural Gas Futures	4.03	+0.05	+1.26%
10-Yr Treasury Bond	2.44	-0.09	-3.60%

Monthly Performance

Index	Close	Monthly Change($)	Monthly Change(%)
DJIA	17,009.69	-68.59	-0.40%
S&P 500	1,967.90	-32.82	-1.64%
S&P Energy	646.26	-62.74	-8.85%
S&P Basic Materials	305.54	-11.88	-3.74%
Nasdaq	4,475.62	-96.94	-2.12%
Russell 2000	1,105.59	-66.61	-5.68%
Hang Seng Composite Index	3,171.48	-332.01	-14.83%
Korean KOSPI Index	1,976.16	-75.04	-3.66%
S&P/TSX Canadian Gold Index	162.08	-32.83	-16.84%
XAU	78.42	-19.78	-20.14%
Gold Futures	1,192.10	-78.20	-6.16%
Oil Futures	89.78	-5.76	-6.03%
Natural Gas Futures	4.03	+0.19	+4.86%
10-Yr Treasury Bond	2.44	+0.04	+1.71%

Quarterly Performance

Index	Close	Quarterly Change($)	Quarterly Change(%)
DJIA	17,009.69	-58.57	-0.34%
S&P 500	1,967.90	-17.54	-0.88%
S&P Energy	646.26	-84.11	-11.52%
S&P Basic Materials	305.54	-11.02	-3.48%
Nasdaq	4,475.62	-10.30	-0.23%
Russell 2000	1,105.59	-102.56	-8.49%
Hang Seng Composite Index	3,171.48	-64.81	-2.00%
Korean KOSPI Index	1,976.16	-34.81	-1.73%
S&P/TSX Canadian Gold Index	162.08	-32.43	-16.67%
XAU	78.42	-23.06	-22.72%
Gold Futures	1,192.10	-129.50	-9.80%
Oil Futures	89.78	-14.28	-13.72%
Natural Gas Futures	4.03	-0.37	-8.44%
10-Yr Treasury Bond	2.44	-0.20	-7.62%

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.

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.

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% 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 6/30/14:

Google, Inc.: All American Equity Fund, 1.98%; Holmes Macro Trends Fund, 2.25%
Boeing: 0.0%
PepsiCo: 0.0%
General Electric Co.: All American Equity Fund, 0.94%
Tyson Foods, Inc.: 0.0%
Hormel Foods Corp.: 0.0%
Coca-Cola Enterprises, Inc.: All American Equity Fund, 1.01%
Mylan, Inc.: All American Equity Fund, 0.98%; Holmes Macro Trends Fund, 0.99%
Alexion Pharmaceuticals, Inc.: Holmes Macro Trends Fund, 1.20%
Jacobs Engineering Group, Inc.: 0.0%
Flowserve Corp.: 0.0%
Joy Global, Inc.: 0.0%
Noble Corp.: 0.0%
Singapore Exchange Ltd: 0.0%
Barrick Gold Corp.: Global Resources Fund, 0.02%
Newmont Mining Corp.: Global Resources Fund, 0.01%; Gold and Precious Metals Fund, 0.12%; World Precious Minerals Fund, 0.11%
Standard Chartered PLC: 0.0%
Winsome: 0.0%
Klondex Mines Ltd: Global Resources Fund, 1.34%; Gold and Precious Metals Fund, 6.58%; World Precious Minerals Fund, 6.60%
Teekay Corp.: 0.0%
Apple: All American Equity Fund, 2.75%; Holmes Macro Trends Fund, 2.68%
FHB Mortgage Bank: 0.0%

*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.
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 S&P/Case-Shiller Index tracks changes in home prices throughout the United States by following price movements in the value of homes in 20 major metropolitan areas.
The Bloomberg Tanker Index is a capitalization weighted index of the leading oil tanker companies traded on the New York Stock Exchange.
The S&P Supercomposite Packaged Foods Index is a capitalization weighted index. The S&P 500 Oil & Gas Drilling Index is a capitalization-weighted index. The index is comprised of four stocks whose primary activity is drilling for oil on land or at sea.
S&P/TSX Capped Diversified Metals and Mining Index is an index of companies engaged in diversified production or extraction of metals and minerals.