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U.S. Global Investors
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What the Strong Dollar Does to Yellow and Black Gold and Why We're Seeing Green

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

The United States is doing better than it has in years. Jobs growth is up, unemployment is down, our manufacturing sector carries the rest of the world on its shoulders like a wounded soldier and the World Economic Forum named the U.S. the third-most competitive nation, our highest ranking since before the recession.

As heretical as it sounds, there's a downside to America's success, and that's a stronger dollar. For the 12-month period, our currency has seen a 1.1-standard deviation move, which has put pressure on two commodities that we consider our lifeblood at U.S. Global Investors: gold and oil.

It's worth noting that we've been here before. In October 2011, a similar correction occurred in energy, commodities and resources stocks based on European and Chinese growth fears. But international economic stimulus measures helped raise market confidence, and many of the companies we now own within these sectors benefited. Between October 2011 and January 2012, Anadarko Petroleum rose 58 percent; Canadian Natural Resources, 20 percent; Devon Energy, 15 percent; Cimarex Energy, 15 percent; Peyto Exploration & Development, 15 percent; and Suncor Energy, 10 percent.

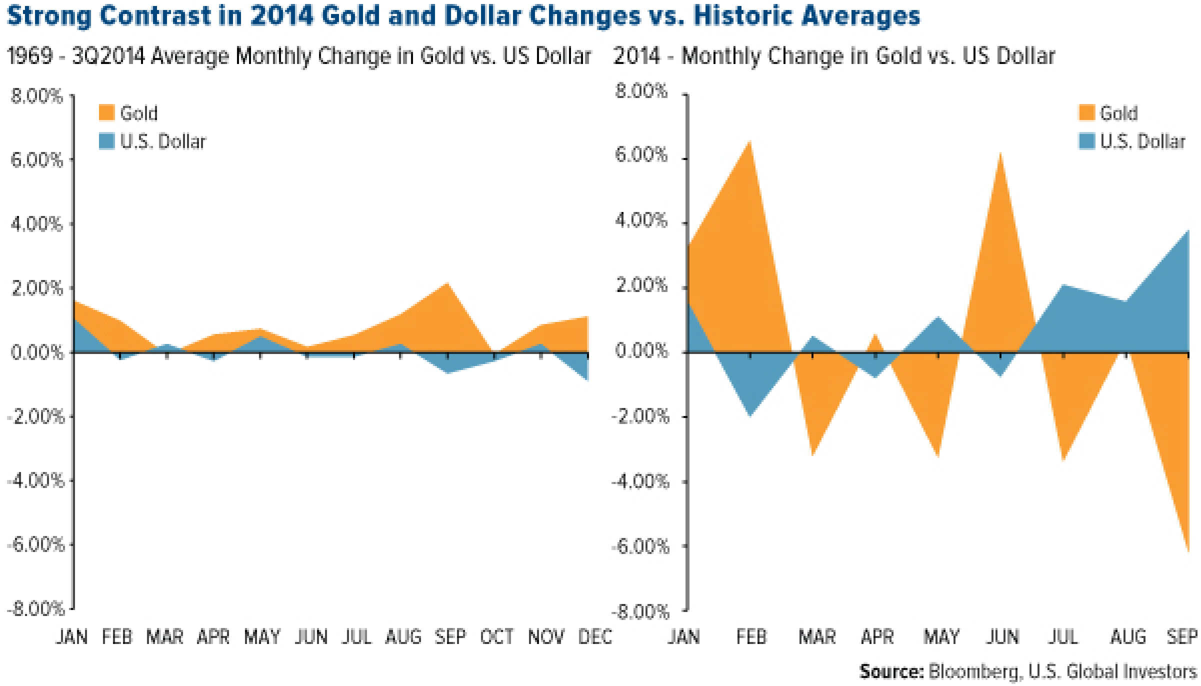
A strong dollar has put pressure on both gold and oil.

Granted, we face new challenges this year that have caused market jitters—Ebola and ISIS, just to name a couple. But we're confident that once the dollar begins to revert to the mean, a rally in energy and resources stocks might soon follow. Brian Hicks, portfolio manager of our Global Resources Fund (PSPFX), notes that he's been nibbling on cheap stocks ahead of a potential rally, one that, he hopes, mimics what we saw in late 2011 and early 2012.

A repeat of last year's abnormally frigid winter, though unpleasant, might help heat up some of the sectors and companies that have underperformed lately.

September Was the Cruelest Month

On the left side of the chart below, you can see 45 years' worth of data that show fairly subdued fluctuations in gold prices in relation to the dollar. On the right side, by contrast, you can see that the strong dollar pushed bullion prices down 6 percent in September, historically gold's strongest month. This move is unusual also because gold has had a monthly standard deviation of ±5.5 percent based on the last 10 years' worth of data.



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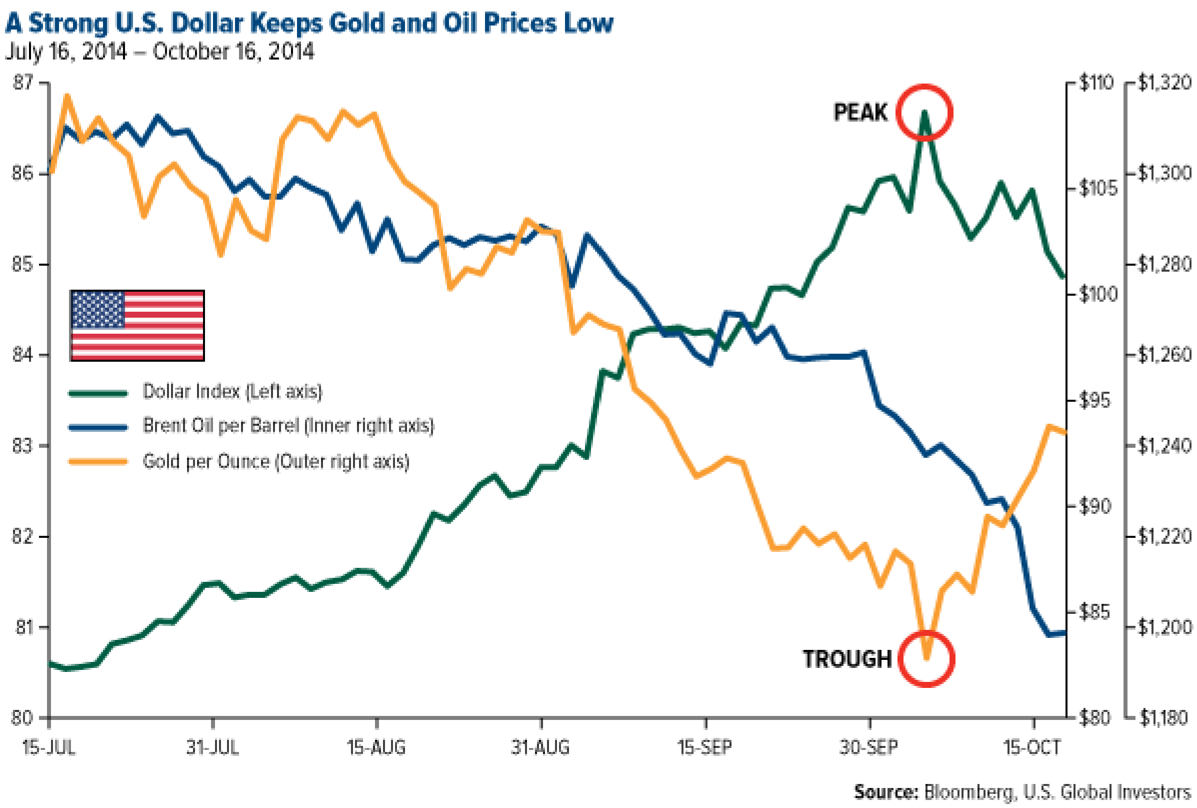
Here's another way of looking at it. On October 3, bullion fell below $1,200 to prices we haven't seen since 2010, but it quickly rebounded to the $1,240 range as the dollar index receded from its peak the same day.



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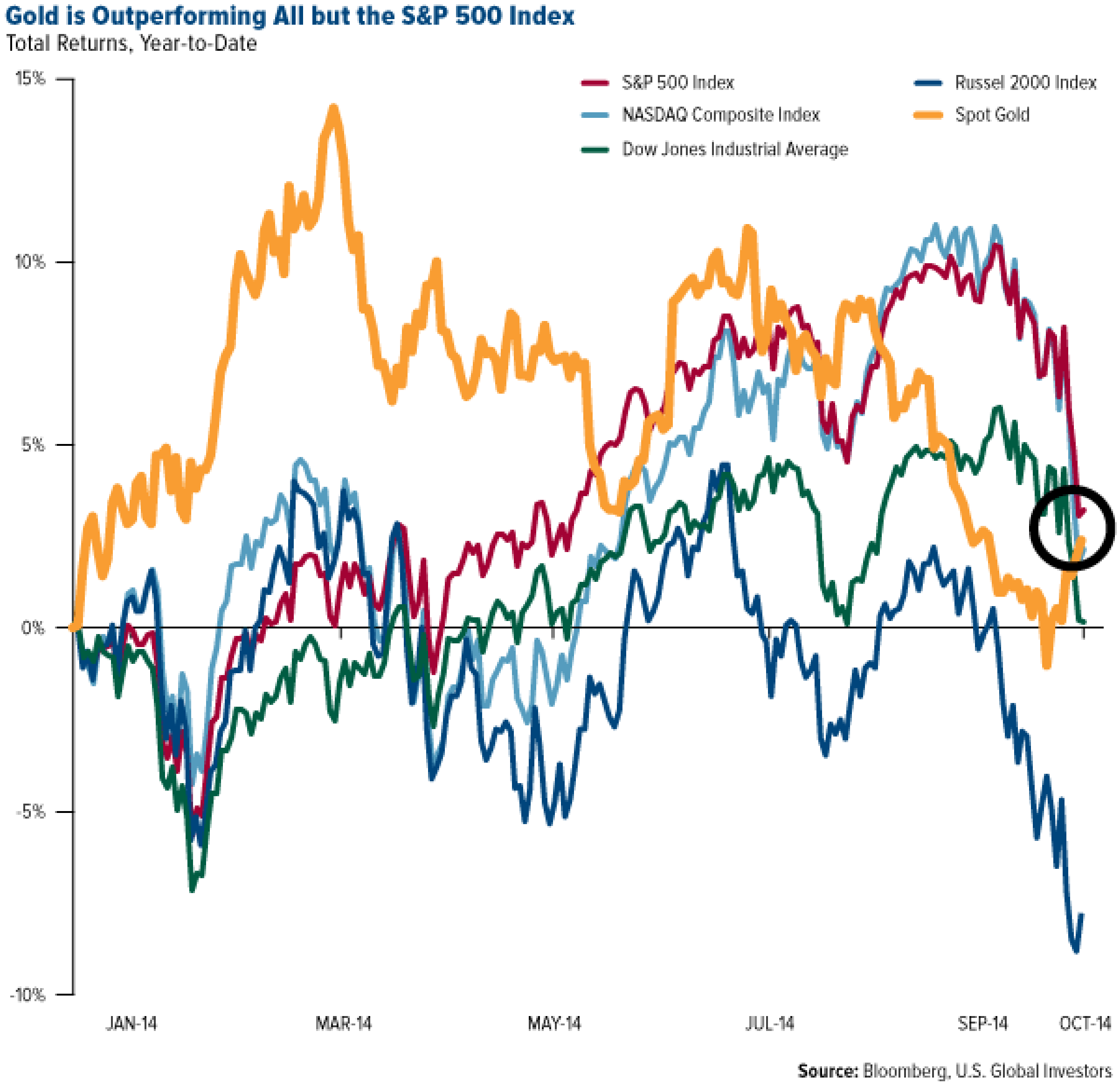
There's no need to worry just yet. This isn't 2013, when the metal gave back 28 percent. And despite the correction, would it surprise you to learn that gold has actually outperformed several of the major stock indices this year?



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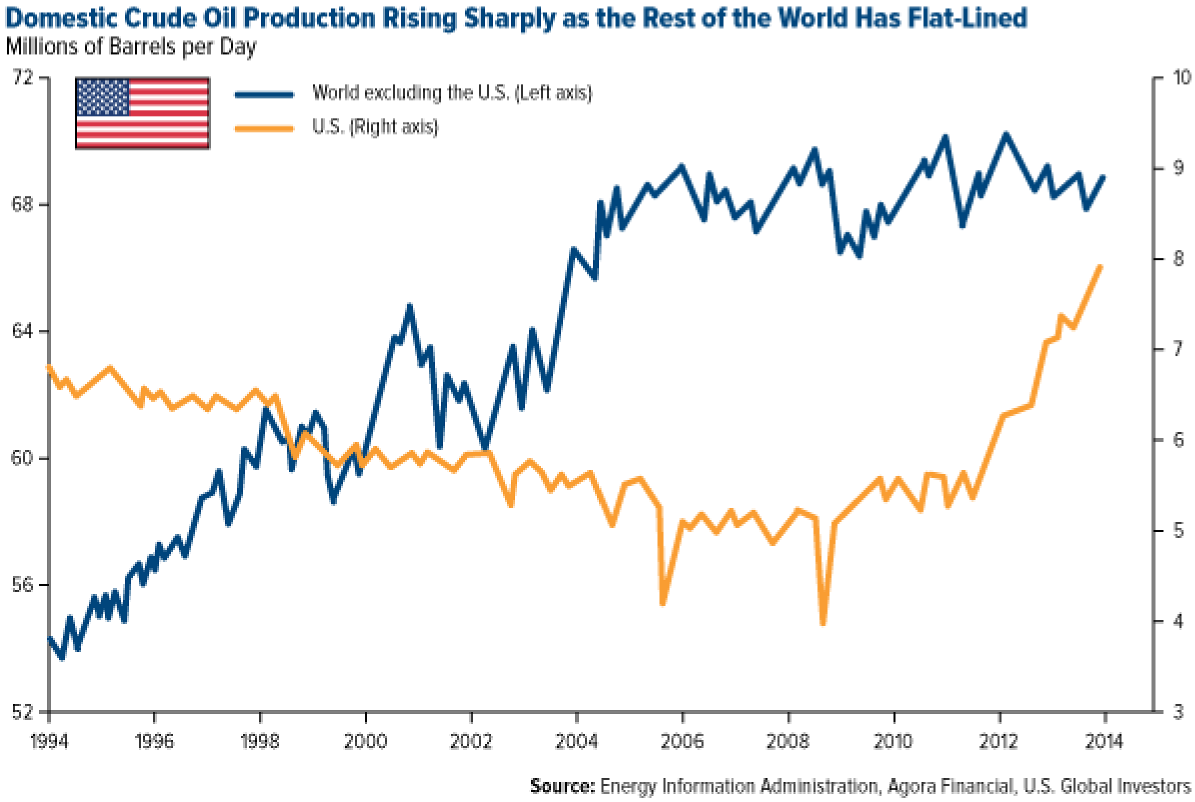
As for gold stocks, there's no denying the facts: With few exceptions, they've been taken to the woodshed. September was demonstrably cruel. Based on the last five years' worth of data, the NYSE Arca Gold BUGS Index has had a monthly standard deviation of ±9.4, but last month it plunged 20 percent. We haven't seen such a one-month dip since April 2013. This volatility exemplifies why we always advocate for no more than a 10 percent combined allocation to gold and gold stocks in investor portfolios.

Oil's slump is a little more complicated to explain.
Since the end of World War II, black gold has been priced in U.S. greenbacks. This means that when our currency fluctuates as dramatically as it has recently, it affects every other nation's consumption of crude. Oil, then, has become much more expensive lately for the slowing European and Asian markets. Weaker purchasing power equals less overseas oil demand equals even lower prices.

What some people are calling the American energy renaissance has also led to lower oil prices. Spurred by more efficient extraction techniques such as fracking, the U.S. has been producing over 8.5 million barrels a day, the highest domestic production level since 1986. We're awash in the stuff, with supply outpacing demand. Whereas the rest of the world has flat-lined in terms of oil production, the U.S. has zoomed to 30-year highs.

In a way, American shale oil has become a victim of its own success.



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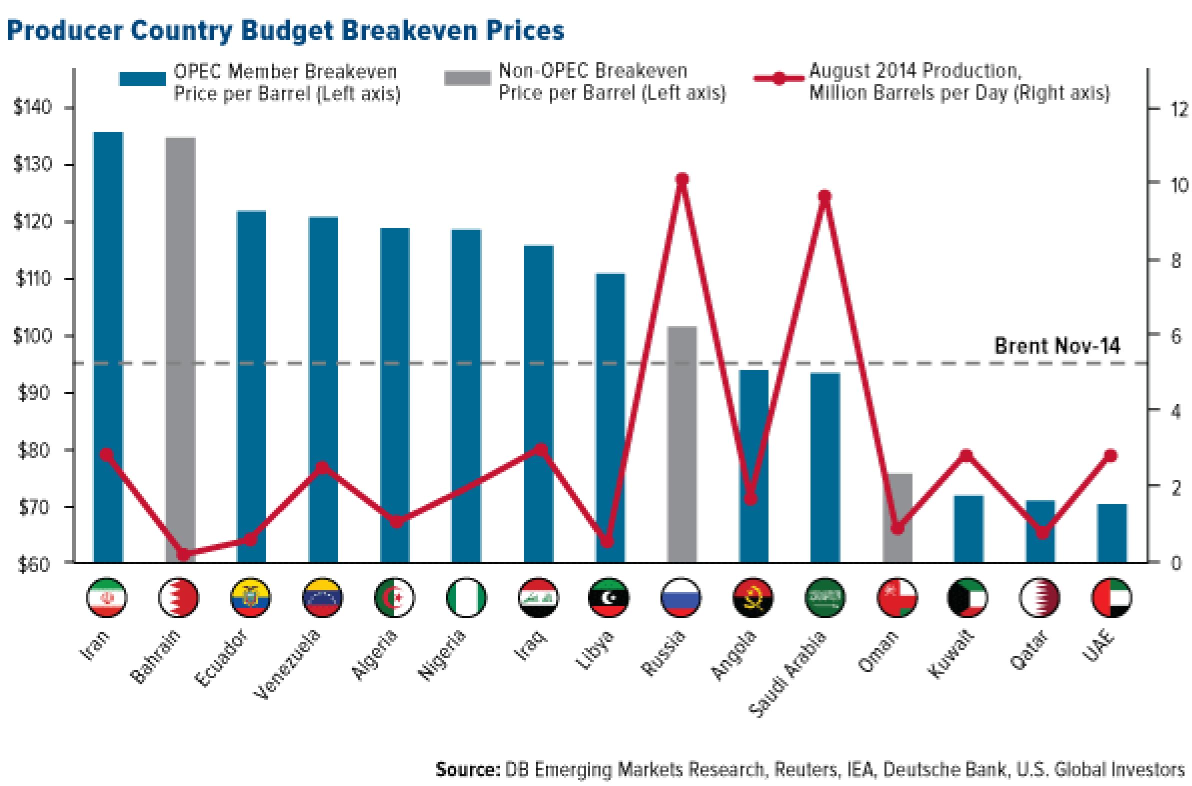
At the end of next month, members of the Organization of the Petroleum Exporting Countries (OPEC) are scheduled to meet in Vienna. As Brian speculated during our most recent webcast, it would be surprising if we didn't see another production cut. With Brent oil for November delivery at $83 a barrel, a four-year low, many oil-rich countries, including Iran, Iraq, Venezuela and Saudi Arabia, will have a hard time balancing their books. Venezuela, in fact, has been clamoring for an emergency meeting ahead of November to make a plea for production cuts.



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Although not an OPEC member, Russia, once the world's largest producer of crude, is being squeezed by plunging oil prices on the left, international sanctions on the right. This might prompt President Vladimir Putin to scale back the country's presence in Ukraine and delay a multibillion-dollar revamp of its armed forces. When the upgrade was approved in 2011, GDP growth was expected to hold at 6 percent. But now as a result of the sanctions and dropping oil prices, Russia faces a dismally flat 0.5 percent.

Volatility Has Returned

The current all-in sustaining cost to produce one ounce of gold is hovering between $1,000 and $1,200. With the price of bullion where it is, many miners can barely break even. Production has been down 10 percent because it's become costlier to excavate. As I told Kitco News' Daniela Cambone, we will probably start seeing supply shrinkage in North and South America and Africa.

The same could happen to oil production. Extraction of shale oil here in the U.S. costs companies between $50 and $100 a barrel, with producers able to break even at around $80 to $85. If prices slide even further, drillers might be forced to trim their capital budgets or even shelve new projects.

Michael Levi of the Council on Foreign Relations told NPR's Audie Cornish that a decrease in drilling could hurt certain commodities:

> *[I]f prices fall far enough for long enough, you'll see a pullback in drilling. And shale drilling uses a lot of manufactured goods—20 percent of what people spend on a well is steel, 10 percent is cement, so less drilling means less manufacturing in those sectors.*

At the same time, Levi places oil prices in a long-term context, reminding listeners that we've become accustomed to unusually high prices for the last three years.

"People were starting to believe that this was permanent, and they were wrong," he said. "So the big news is that volatility is back."

On this note, be sure to visit our interactive and perennially popular Periodic Table of Commodities, which you can modify to view gold and oil's performance going back ten years.

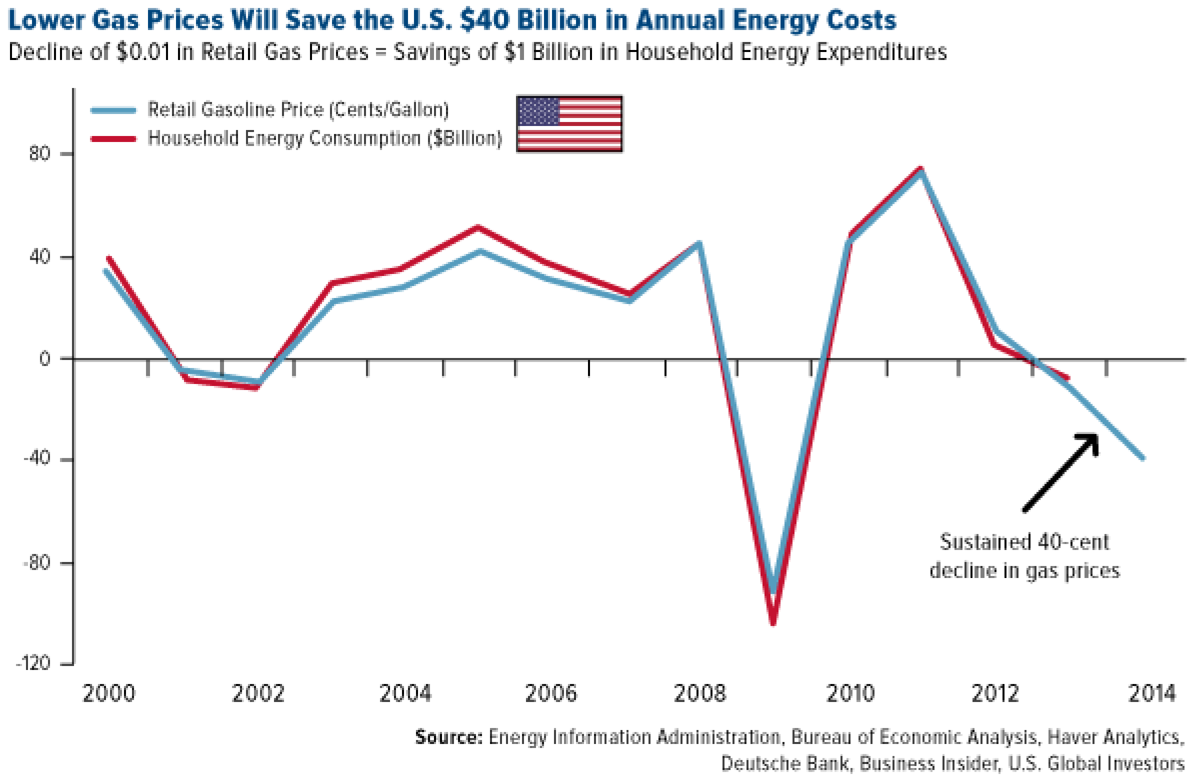
A Penny Saved Is a Billion Dollars To Spend and Invest

With fresh volatility in oil production comes the fear that the most price-sensitive states will be hurt the most. Exceptionally vulnerable states include Oklahoma, Wyoming and North Dakota. Texas, the nation's leading oil producer—one of the world's top producers, in fact—is diversified well enough to not feel the pain as much.

What's bad for oil producers, though, turns out to be good for American consumers, who are already benefiting from lower gasoline prices. According to AAA's Daily Fuel Gauge Report, the national average for a gallon of gas is $3.16, down more than 6 percent from $3.35 a year ago.

As a result, American consumers are looking at huge savings—$40 billion this year alone. According to

Deutsche Bank's Joe LaVogna, every penny that's saved at the pump equates to a billion dollars in household energy consumption that can be put back into the economy in other ways.



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I like to think of this as an unexpected and very welcome tax break. Automobile sales are already up from 2009. Lower gas prices might encourage some families to spring for that Suburban instead of a Prius.

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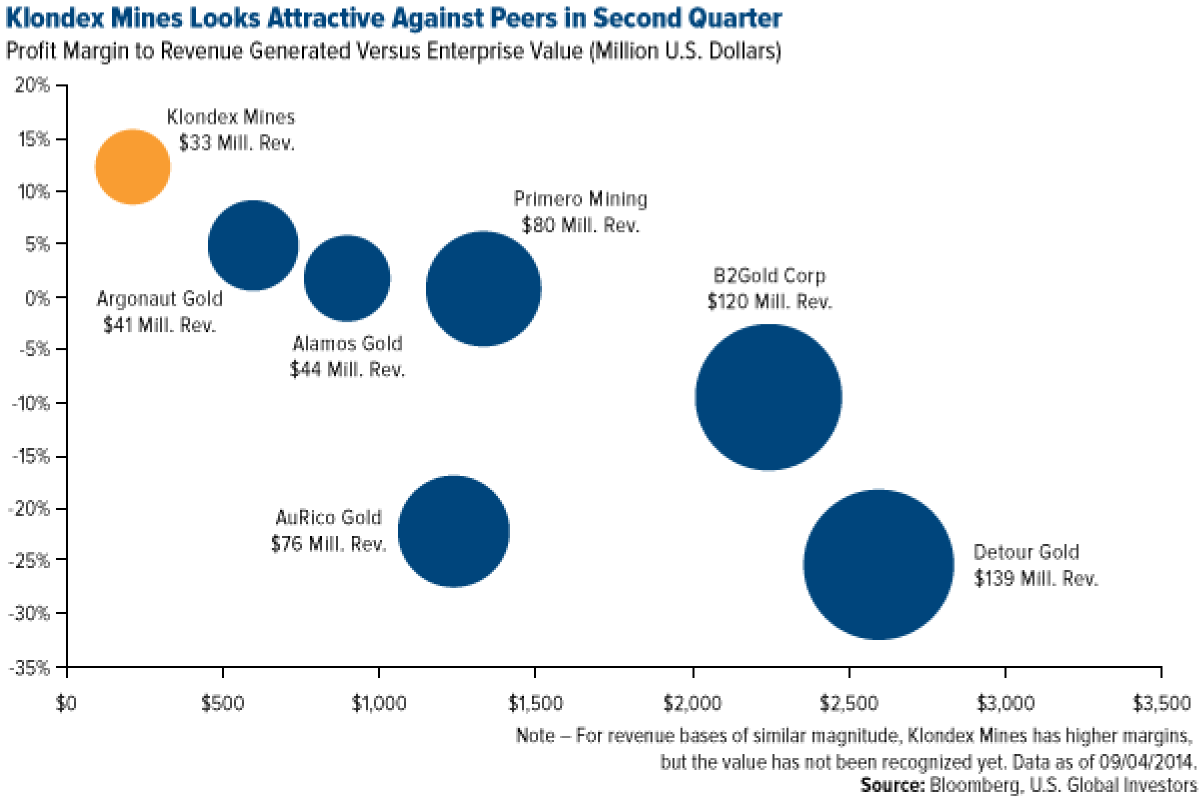
Klondex Turning Heads and Profits

As I said earlier, gold stocks have been hurting lately. One mining company that's managed to not only survive in this uncertain climate but actually thrive is Klondex Mines, our largest holding in both our Gold and Precious Metals Fund (USERX) and World Precious Minerals Fund (UNWPX), with additional exposure in our Global Resources Fund (PSPFX). Headquartered in Vancouver, Klondex has complete ownership and control of the Fire Creek Project and Midas Mine, both in Nevada.

The chart below, based on our own research, shows Klondex's relative strength to its peers and why we find the company so attractive in the long term. The y-axis indicates profit margin, the x-axis, enterprise value. The size of the spheres represents the amount of revenue generated by each one of these companies in the second quarter of 2014, Klondex's first quarter of full commercial production.



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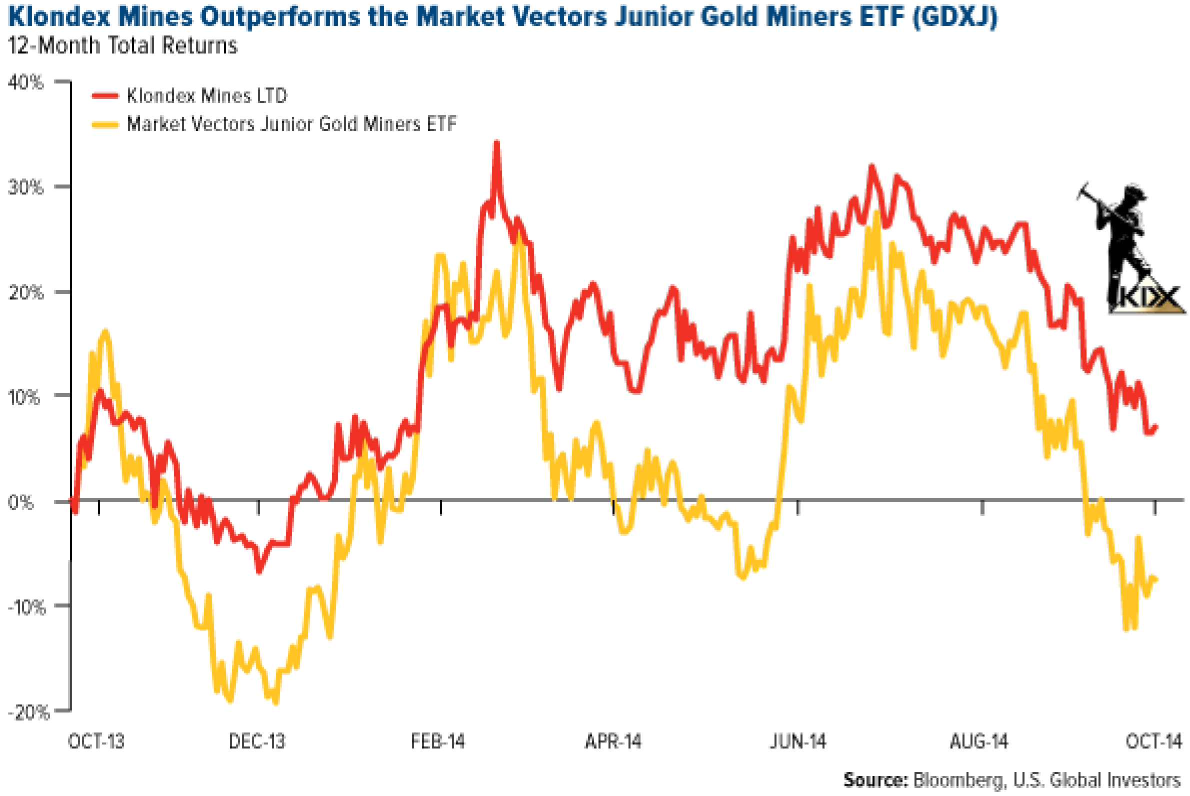
What the chart conveys is that, in relation to its peers, Klondex has a significantly higher profit margin than companies with a market cap two to three times its size.

"This is going to be very positive for Klondex shareholders as we go into the year-end," portfolio manager Ralph Aldis said during our webcast. "The third quarter should be another great quarter, and that's when people will say, 'Hey, that second quarter report wasn't a fluke.' They're going to start buying the stock and get it moving."

Indeed, Klondex has managed to stay above the Market Vectors Junior Gold Miners ETF for the 12-month period, delivering a positive return of 7 percent versus the ETF's -7.5 percent.



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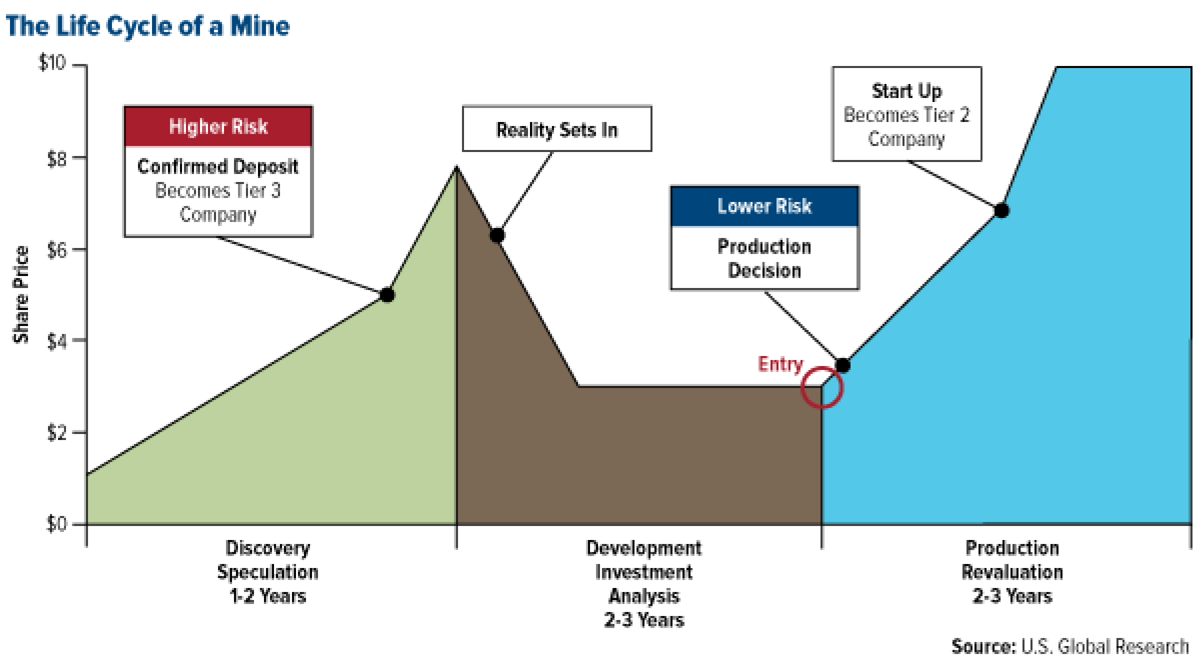
On numerous occasions I've written about our research on the typical lifecycle of a mine, most recently in my whitepaper "Managing Expectations: Anticipate Before You Participate in the Market." Below you can see the relationship between a mine's lifecycle and the company's share price.



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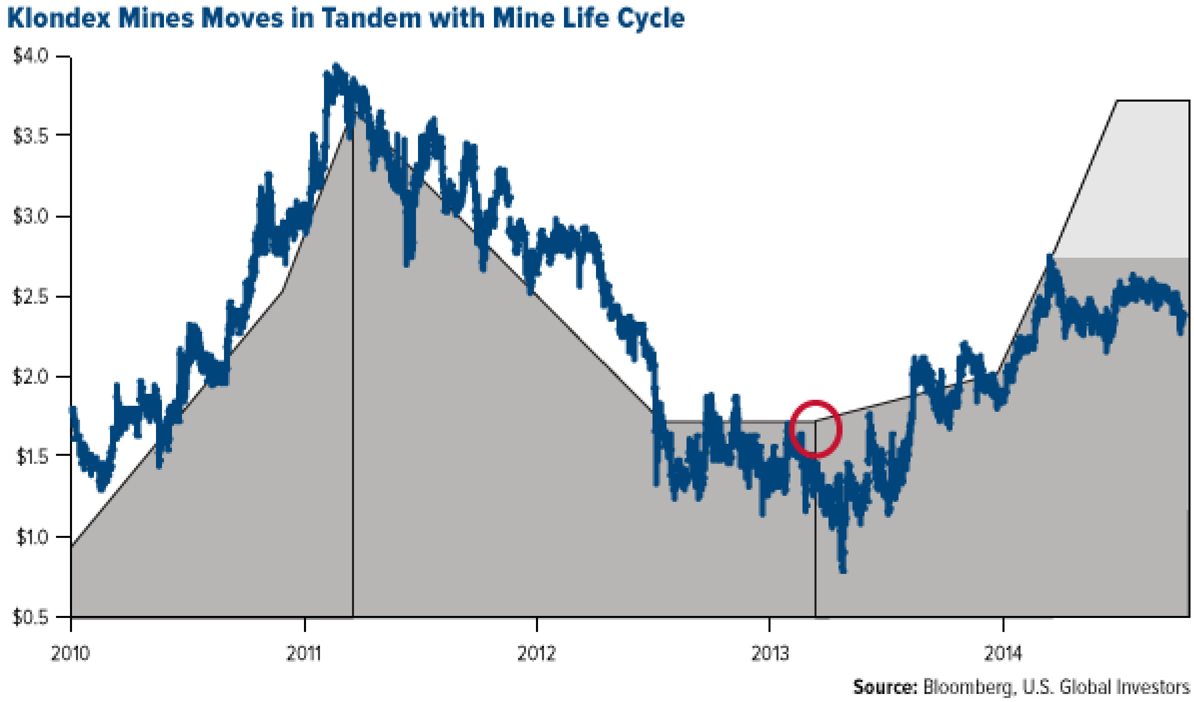
As experts in mining stocks, it's imperative for us to know which production stage the mine is in to manage our exposure to the company.

In the case of Klondex, its price action mimics the movements in share price based on the chart above, confirming our research.



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It also supports the benefits of active management.

"When you buy an indexed fund, you're basically just buying the market capitalization of those companies," Ralph said. "You're not getting the benefit of active management where we go out, meet the company's management team and know its history. We're familiar with the lifecycle of the mine in question, the money, the burn rate and the minerals the company is involved in."

I couldn't have said it better myself.

Speaking of Active Management...

Last week, I expressed my concerns about how the European Union is handling (or *not* handling) its fiscal and monetary mess. Because the EU is such an important region for the global economy, investors have become impatient with the bickering that's stalled any clear solution to its slowdown.

This week I've been in Italy meeting with other global business leaders, while U.S. Global's Director of Research John Derrick has been visiting and assessing Greek and Turkish companies such as Tsakos Energy Navigation, Jumbo, Turk Telecom and Turkcell.

Watch for our firsthand accounts of and insights on the European situation next week.

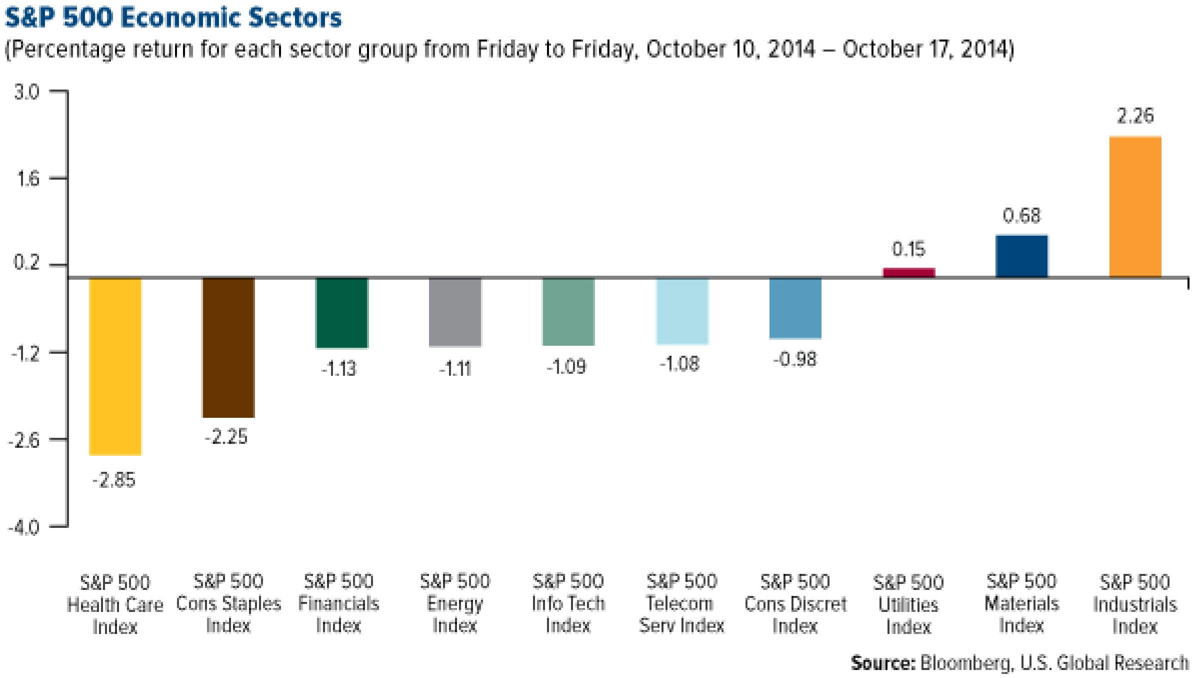
U.S. Global Investors' John Derrick (center) taking in a Spurs game in Istanbul on October 11 while visiting Turkish and Greek companies.

Index Summary

- Major market indices finished lower this week. The Dow Jones Industrial Average fell 0.99 percent. The S&P 500 Stock Index dropped 1.02 percent, while the Nasdaq Composite declined 0.42 percent. The Russell 2000 small capitalization index rose 2.75 percent this week.
- The Hang Seng Composite declined 0.61 percent; Taiwan fell 5.06 percent while the KOSPI lost 1.78 percent.
- The 10-year Treasury bond yield fell 373 basis points to 2.20 percent.

Domestic Equity Market

The S&P 500 index declined for a fourth straight week and set a new year-to-date low. Equity market weakness centered on global growth concerns, Ebola fears, and policy inaction by global central banks. However, the S&P 500 staged an impressive intraday turnaround on Wednesday that helped fuel positive gains in Friday's trading. Additionally, the market fell below its 200-day moving average, more than 9 percent off its recent September all-time high, but managed to recoup some of the losses as it neared the 200-day moving average, setting a positive tone for next week's trading.



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Strengths

- The Industrials sector, mainly transportation, outperformed in volatile trading. CSX Corp. was the top performer in the S&P 500 on the week, up 13.09 percent following a better-than-expected earnings report. United Rentals was another top gainer, up over 10.17 percent in the period.
- The utilities sector continued to do well as gas utilities and pipeline stocks outperformed. Plains GP and Targa Resources benefited from a strong sector rebound, which ended the week higher by 1.45 percent.
- Positive September retail auto sales and building permits all beat expectations midweek, which helped fuel a positive turnaround for the oversold cyclical sectors of the S&P 500.

Weaknesses

- Technology was the worst performing sector this week, mainly on weak news flow from the semiconductor industry and a weak third-quarter earnings report from Netflix.
- Health care also underperformed as defensive sectors lagged in the late week rally. Also with the AbbVie-Shire deal in question, many hedge funds likely unwound tactical positions, which may have increased volatility within the sector.
- Netflix was the worst performer in the S&P 500 this week, falling by 21.01 percent. This was caused by a shortfall in subscriber growth, despite beating revenue and earnings forecasts, pushing the stock down to May 2014 levels.

Opportunities

- The Fed remains accommodative and other global central banks even more so, and rumors this week on a possible delay of the end of quantitative easing furthered this thought process. This could help provide a strong momentum for equities.
- Consumer Price Index and existing home sales numbers will be released next week, with both expected to be positive from last month's results.
- Even though the equity market dropped below the 200-day moving average, the S&P 500 has not fallen more than 10 percent from its peak in September, and made a meaningful recovery by the end of this week.

Threats

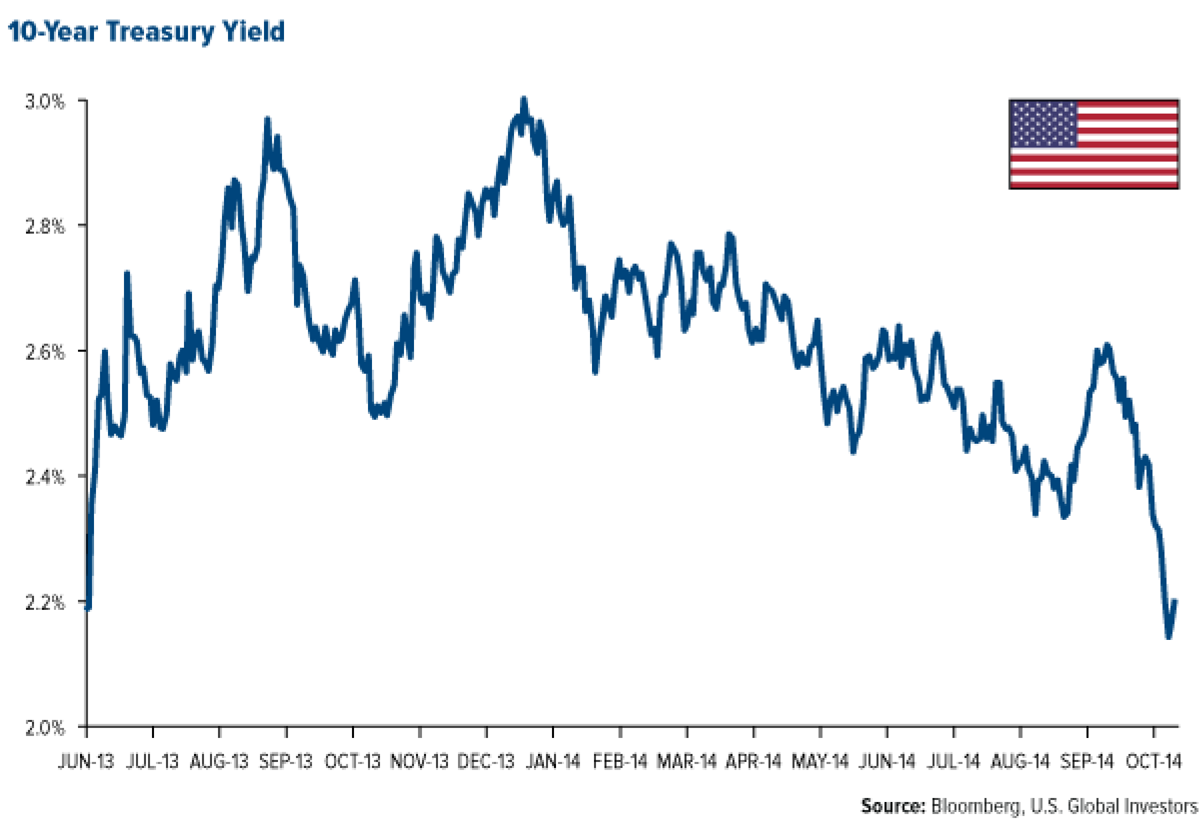
- Market volatility was extremely high this week with Wednesday's trading opening down more than 3 percent before recovering 2 percent later in the day. These high swings could prove detrimental for an immediate market recovery.

- Even though there is a potential for positive economic news releases, the Empire State Manufacturing Survey came in 20 percent lower than the prior period and 15 percent lower than expected. Poor results for future economic indicators could hurt the market.
- With Ebola, active military conflict, and European recession fears, global markets remain somewhat tenuous which could result in excessive volatility.

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

The Economy and Bond Market

The two-year Treasury yield fell sharply to near-August lows of 0.24 percent by midweek before recovering to 0.37 percent by Friday's close. The main driver of the decline was a global slowdown fear and a stronger dollar posing a potential risk to the U.S. economy. The 10-year bond fell Wednesday to the lowest level since June 2013.



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Strengths

- Treasury yields recovered along with the broader equity market towards the end of the week after falling to new lows on Wednesday.

- The National Federation of Independent Business (NFIB) posted better-than-expected Small Business Optimism Index numbers, highlighting the resilience of the American economy in spite of fears of a global slowdown and the Ebola outbreak.
- Initial jobless claims continue to drop, fueling the notion of a continuously growing U.S. economy. Claims, in fact, are at their lowest number since 2000.

Weaknesses

- The U.S. dollar had its second down week since early July, ending at 0.80 percent versus the top ten major global currencies.
- The Empire State Manufacturing Survey was dramatically lower than expected, down more than 20 percent from last month and more than 15 percent worse than expected. This might not bode well for the growth trajectory and the end of quantitative easing (QE) at the end of this month.
- U.S. five-year notes fell 7.29 percent this week, furthering doubts about the global economy and the measures being taken to improve growth.

Opportunities

- With two-year Treasuries dropping this week, investors might reach further down the yield curve to secure higher returns.
- New home sales data is scheduled to be released next week. Although this number is expecting to be worse than the previously released data, it could be overlooked given the recent lower mortgage rates.
- 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 flat to down.

Threats

- Federal Reserve Chairwoman Janet Yellen discussed income inequality in a speech, with many speculating that the Fed could push out the next rate hike or continue its QE program to enhance economic growth.
- The U.S. bond yields fell sharply this week to lows unseen in more than a year. If they remain low, it could signal a recession.
- Geopolitical unrest in Ukraine, Iraq and Syria, Greece's shaky economy and now Ebola fears have heightened investors' anxiety.

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

Gold Market

For the week, spot gold closed at $1,238.54 up $15.45 per ounce, or 1.26 percent. Gold stocks, as measured by the NYSE Arca Gold Miners Index, fell 0.21 percent. The U.S. Trade-Weighted Dollar Index fell 0.70 percent for the week.

Date	Event	Survey	Actual	Prior
Oct 15	Germany CPI YoY	0.8%	0.8%	0.8%
Oct 15	US PPI Final Demand YoY	1.8%	1.6%	1.8%
Oct 16	Eurozone CPI Core YoY	0.7%	0.8%	0.7%
Oct 16	US Initial Jobless Claims	290K	264K	287K
Oct 17	US Housing Starts	1008K	1017K	956K
Oct 20	China Retail Sales YoY	11.7%	--	11.8%
Oct 22	US CPI YoY	1.6%	--	1.7%
Oct 22	HSBC China Manufacturing PMI	50.2	--	50.2
Oct 23	US Initial Jobless Claims	284K	--	264K
Oct 24	US New Home Sales	470K	--	504K

Strengths

- Standing at just over $2 billion in August, gold imports in India surged 450 percent year-over-year in September to reach $3.75 billion. India's trade deficit widened the most in 18 months as a result. The surge in demand was triggered by the festival season in the country.
- Concern over global growth peaked this week causing a selloff in global equities and spurring gold purchases. The precious metal's appeal as a safe haven rewarded gold investors this week.
- According to Bloomberg, gold traders are the most bullish they've been in 10 weeks. Seventeen out of 27 traders hold a bullish outlook on gold, citing global growth fears as justification.

Weaknesses

- Platinum declined to a level below gold for the first time since April 2013 this week. The precious metal is widely used for automotive catalytic converters. With roughly 50 percent of usage related to industrial production, fears of a global growth slowdown are weighing on platinum.
- Senior gold-producing companies are cutting costs amid declining bullion prices. However, despite cost-cutting, third-quarter earnings are expected to decline by 27 percent. Silver producers are estimated to report a 33-percent decline in earnings per share due to falling silver prices.
- The U.S. 5-year breakeven inflation rate reached its lowest point since 2011 on Wednesday. Deflationary fears appear to have peaked however, as yields have shown a significant bounce to the upside since Thursday. As global growth slowdown fears seem overplayed, and the European Central Bank (ECB) prepares for its asset-backed purchasing program, it seems likely that inflation will rebound.

click to enlarge

Opportunities

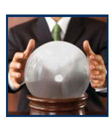
- Despite the bounce in gold prices this week, silver remains subdued. The relative lag of silver to gold is unusual, implying silver prices may rally soon if gold stays positive.
- The Market Vectors Global Junior Gold Miners Index will now allow larger index companies to qualify for the index. The buffer zone used in the index methodology has been expanded to include companies ranking between 75 and 100 percent of the eligible universe, as opposed to the current range of 80 and 100 percent.
- The ECB announced this week that it will begin its asset-backed purchasing program within days in order to respond to declining global growth. Stimulus out of the eurozone should help relieve the deflationary pressures permeating through the region and consequentially the rest of the world.

Threats

- Switzerland's National Bank is moving to block the motion that would require it to hold at least 20 percent of its assets in gold. The "Save our Swiss Gold" initiative should be voted down according to the Swiss Federal Council, as well as both houses of parliament.
- Barclays stated in a report that it expects the gold rally to be short-lived. It argues that macroeconomic headwinds will outweigh the increased demand from gold in India, leading to an overall decline in gold prices in the future.
- Natixis Commodities Research set a gold price forecast for $1,170 per ounce in 2015. On top of the predication for a decline in the price of gold, Natixis expects the current outflows out of gold exchange-traded products (ETPs) to continue into the new year.

Frank Talk Insight for Investors

October 16, 2014
New Economic Report Card Shows that the U.S. Still Has the Competitive Edge



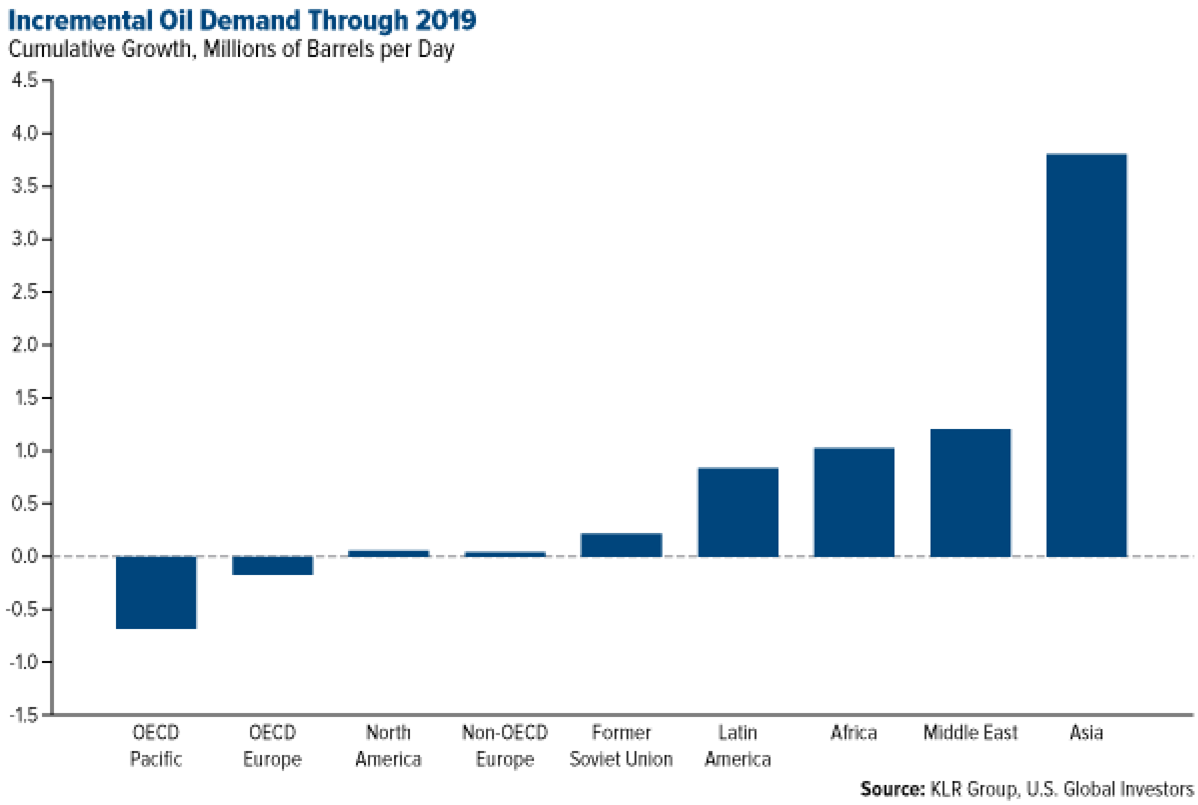
October 13, 2014
Warning: Market Correction Last Week... Did You See the Opportunity?

October 7, 2014
How Alibaba Could Capitalize on the EBay-PayPal Split

A blog by Frank Holmes, CEO and Chief Investment Officer

Global Resources Fund - PSPFX

Energy and Natural Resources Market



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Strengths

- Iron and steel stocks outperformed this week, bouncing back from recent declines. Specifically, Fortescue Metals Group rallied on opportunities in the merger and acquisition (M&A) space as well as on expectations for stronger fundamentals. The Bloomberg World Iron and Steel Index and Fortescue were up 0.93 percent and 5.52 percent, respectively.

- Silver stocks, along with other precious metals climbed back this week. The Global X Silver Miners ETF closed up 2.27 percent this week. Among the outperformers in the silver space, Silver Wheaton was up 0.41 percent on the week.

- Paper and forest product stocks had a productive week, as they tend to outperform in a strong dollar environment. Western Forest Products was up 3.90 percent this week.

Weaknesses

- Oil refining stocks were down again for the fourth-straight week. The S&P Oil & Gas Refining and Marketing Index fell 3.2 percent this week.

- With the global growth scare fueling more volatility in the commodity space, small cap stocks underperformed this week. The S&P/TSX Venture Composite Index fell 2.06 percent this week.

- Base metals underperformed as poor economic data from Europe and China continue to negatively influence global growth outlooks. The S&P/TSX Capped Diversified Metals and Mining Index was down 2.01 percent this week.

Opportunities

- Although the decline in oil prices has weighed on producers, many are shrugging off the effects as simply an overreaction to short-term oversupply. In fact, Baker Hughes Inc. stated that oil would have to fall much more, to $75 a barrel and stay there for an extended period of time, before energy companies had to consider cutting back spending. Likewise, Schlumberger said it still holds its long-term view on earnings.

- Schlumberger proved to have a strong quarter as the company saw growth in reservoir production, increased international margins in almost every region and an increase in its buybacks to $1.5 billion. The company maintained its long-term outlook outlined in June, which reported and expected earnings per share of between $9 and $10.

- Anadarko Petroleum and other partner companies are investing $2.2 billion next year to drill wells in Ghana's Jubilee and Tweneboa-Enyenra-Ntomme oil fields. The projects should prove productive for the company.

Threats

- The lower oil prices have increased the probability that the Colombian government will have to sell down part of Ecopetrol. The government is concerned the budget could be short of the Ministry of Finance's projections for 2015, which could have repercussions for the tax and royalty regimes in the country.

- Saudi Arabia is assumed to be content with the current depressed level of oil prices. The world's largest oil exporter is determined to maintain its global market capitalization and will continue to produce in order to do so. Inaction from Saudi Arabia serves as a headwind for the oil-sensitive space of the energy sector.

China Region Fund - USCOX • Emerging Europe Fund - EUROX

Emerging Markets

Strengths

- Easing geopolitical tensions in Eastern Europe boosted Ukrainian stocks this week. Oversold conditions in Ukraine had been extreme in the months of August and September. However, stocks rallied this week as Russia's Putin and Ukraine's Poroshenko met on Friday to discuss the terms of a gas deal between the two countries.

- South African materials stocks rallied with precious metals this week. Global diversified and precious metals and minerals stocks had been depressed recently amid global growth and deflation scares. The bounce in metals and mining companies boosted the FTSE/JSE Africa All Shares Index this week, causing it to rise 1.58 percent.

- Indonesia was the best performing Asian market this week, as local investors turned buyers on Friday after president-elect Joko Widodo met with opposition leader Prabowo Subianto ahead of presidential inauguration on October 20 for the first time since the July election.

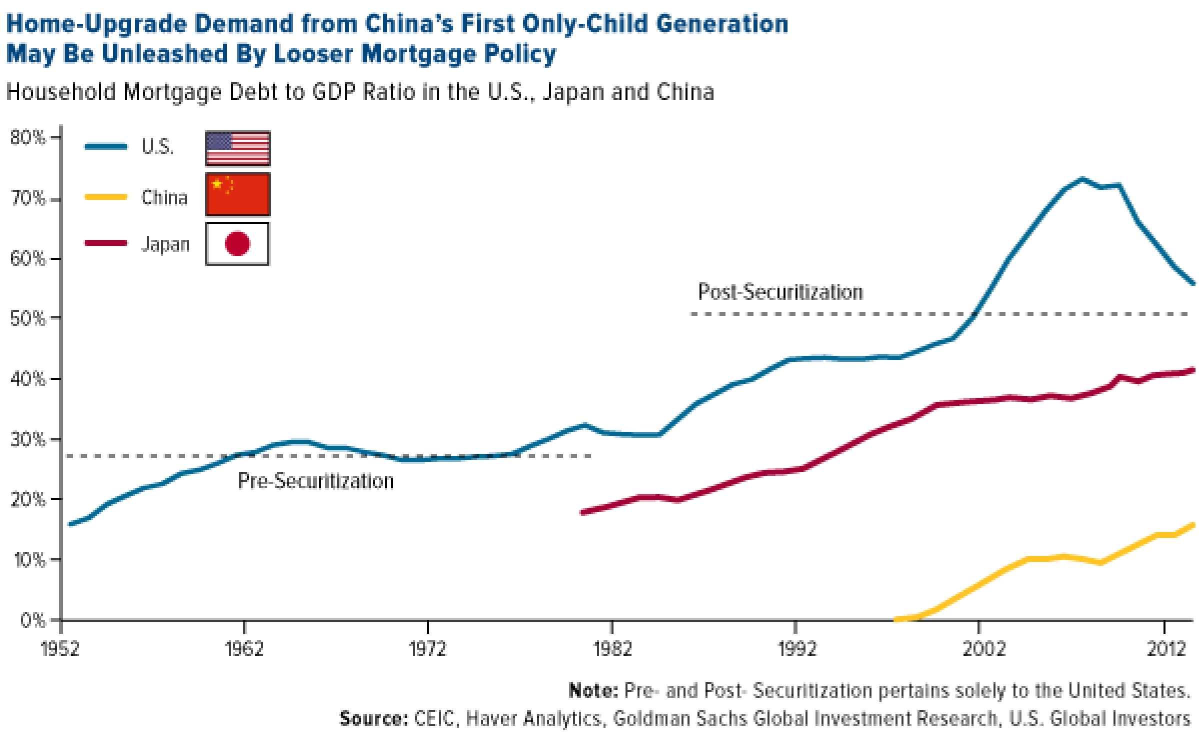
Weaknesses

Global growth scares couple with falling oil prices led Middle Eastern stocks to underperform this week. Qatar, United Arab Emirates, and Egypt were down 6.43, 6.09 and 10.03 percent respectively.

- Concerns over the stability of the Greek financial system spiked this weak as Greek equities and bonds declined substantially. Yields on 10-year Greek government bonds rose roughly 150 basis points this week to over 8 percent, the highest levels since January. The Athens Stock Exchange Index reached a 52-week low this week and closed down 7.27 percent.
- Taiwan was the worst performing Asian market this week, as Intel's quarterly report revealed a third-quarter overbuild in notebook computer shipments by Taiwanese makers which may lead to a correction in the fourth quarter orders. UBS also lowered its year-end index target for Taiwan.

Opportunities

- This week will mark the second week in a row that the dollar has depreciated. The falling dollar has alleviated many of the pressures facing commodity sensitive emerging markets. If the trend continues, we can safely expect more tailwinds for emerging markets and their currencies.
- European stocks rebounded on Friday as the European Central Bank announced it will start buying assets within days. Recent growth and deflation scares have spurred the ECB to be more proactive. The provided stimulus should boost European growth and fuel import demand, which should be good for emerging markets.
- Upgrade demand is set to gradually replace first-home demand as the primary driver for the Chinese housing market in the next 10 years, as the country's first "only-child" generation, a boomer demographic, reaches 35-45 years of age when their first mortgage is paid off. Looser government policies aimed at promoting higher mortgage adoption for this credit-worthier group, given China's overall underutilization of mortgages compared with developed countries, should bode well for the property and banking sectors.



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Threats

- The Chinese government's recent push to promote breastfeeding through education programs and such initiatives as adding more lactation rooms in public buildings could further dampen investor sentiment towards infant formula makers.
- Saudi Arabia, the world's largest oil exporter, is keeping production steady in order to preserve global market share. In doing so, the country is preventing any stimulation for oil prices. If oil prices remain

depressed, oil leveraged emerging markets will continue to suffer.

- Despite the positive turnaround in global equities on Friday, market behavior this week highlighted the extent to which investors are concerned about a deflationary, low-growth environment. The U.S. government's 5-year breakeven inflation rate fell to its lowest level since 2011 this week. If deflationary pressures persist and global growth declines, clearly all markets will face serious problems.

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	16,380.41	-163.69	-0.99%
S&P 500	1,886.76	-19.37	-1.02%
S&P Energy	606.90	-6.83	-1.11%
S&P Basic Materials	293.66	+1.98	+0.68%
Nasdaq	4,258.44	-17.80	-0.42%
Russell 2000	1,082.33	+29.00	+2.75%
Hang Seng Composite Index	3,160.27	-19.25	-0.61%
Korean KOSPI Index	1,940.92	-35.24	-1.78%
S&P/TSX Canadian Gold Index	162.66	+0.06	+0.04%
XAU	77.08	-0.18	-0.23%
Gold Futures	1,238.90	+15.60	+1.28%
Oil Futures	82.97	-2.55	-2.98%
Natural Gas Futures	3.76	-0.10	-2.51%
10-Yr Treasury Bond	2.20	-0.09	-3.73%

Monthly Performance

Index	Close	Monthly Change($)	Monthly Change(%)
DJIA	16,380.41	-776.44	-4.53%
S&P 500	1,886.76	-114.81	-5.74%
S&P Energy	606.90	-81.18	-11.80%
S&P Basic Materials	293.66	-22.87	-7.23%
Nasdaq	4,258.44	-303.75	-6.66%
Russell 2000	1,082.33	-71.57	-6.20%
Hang Seng Composite Index	3,160.27	-332.01	-14.83%
Korean KOSPI Index	1,940.92	-108.49	-5.29%
S&P/TSX Canadian Gold Index	162.66	-17.15	-9.54%

XAU	77.08	-13.35	-14.76%
Gold Futures	1,238.90	+14.80	+1.21%
Oil Futures	82.97	-11.01	-11.72%
Natural Gas Futures	3.76	-0.25	-6.18%
10-Yr Treasury Bond	2.20	-0.43	-16.22%

Quarterly Performance

Index	Close	Quarterly Change($)	Quarterly Change(%)
DJIA	16,380.41	-596.40	-3.51%
S&P 500	1,886.76	-71.36	-3.64%
S&P Energy	606.90	-112.97	-15.69%
S&P Basic Materials	293.66	-19.51	-6.23%
Nasdaq	4,258.44	-105.01	-2.41%
Russell 2000	1,082.33	-51.28	-4.52%
Hang Seng Composite Index	3,160.27	-78.56	-2.43%
Korean KOSPI Index	1,940.92	-79.98	-3.96%
S&P/TSX Canadian Gold Index	162.66	-39.07	-19.37%
XAU	77.08	-25.37	-24.76%
Gold Futures	1,238.90	-81.50	-6.17%
Oil Futures	82.97	-20.78	-20.03%
Natural Gas Futures	3.76	-0.20	-5.09%
10-Yr Treasury Bond	2.20	-0.25	-10.26%

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.

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 9/30/2014:

Anadarko Petroleum Corp.: Global Resources Fund, 2.11%
Canadian Natural Resources Ltd: Global Resources Fund, 1.59%
Devon Energy Corp.: Global Resources Fund, 1.82%
Cimarex Energy Co.: Global Resources Fund, 1.80%
Peyto Exploration & Development Corp.: Global Resources Fund, 1.31%
Suncor Energy, Inc.: Global Resources Fund, 2.13%
Klondex Mines Ltd: Gold and Precious Metals Fund, 7.76%; World Precious Minerals Fund, 7.51%; Global Resources Fund, 1.22%
Argonaut Gold: 0.0%
Alamos Gold, Inc.: World Precious Minerals Fund, 0.04%
Primero Mining Corp.: Gold and Precious Metals Fund, 0.05%; World Precious Minerals Fund, 0.02%
AuRico Gold, Inc.: Gold and Precious Metals Fund, 1.85%; World Precious Minerals Fund, 0.41%
B2Gold Corp.: 0.0%
Detour Gold: 0.0%
Market Vectors Junior Gold Miners ETF: Gold and Precious Metals Fund, 0.16%; World Precious Minerals Fund, 0.17%
Tsakos Energy Navigation:
Jumbo SA: Emerging Europe Fund, 1.79%
Turk Telecom: 0.0%
Turkcell: Emerging Europe Fund, 1.79%
CSX Corp.: 0.0%
United Rentals, Inc.: All American Equity Fund, 1.92%; Holmes Macro Trends Fund, 2.23%
Plains GP Holdings LP: Global Resources Fund, 1.44%
Targa Resources Corp.: Global Resources Fund, 0.99%
Netflix: 0.0%
AbbVie: 0.0%
Shire: 0.0%
Fortescue Metals Group Ltd: Global Resources Fund, 1.68%
Global X Silver Miners ETF: Gold and Precious Metals Fund, 0.01%; World Precious Minerals Fund, 0.01%
Silver Wheaton Corp.: Gold and Precious Metals Fund, 1.10%; World Precious Minerals Fund, 0.35%
Western Forest Products, Inc.: Global Resources Fund, 0.83%
Baker Hughes, Inc.: 0.0%
Schlumberger Ltd: All American Equity Fund, 1.75%; Holmes Macro Trends Fund, 1.84%
Ecopetrol SA: 0.0%

*The above-mentioned indices are not total returns. These returns reflect simple appreciation only and do not reflect dividend reinvestment.
The Dow Jones Industrial Average is a price-weighted average of 30 blue chip stocks that are generally leaders in their industry.
The S&P 500 Stock Index is a widely recognized capitalization-weighted index of 500 common stock prices in U.S. companies.
The Nasdaq Composite Index is a capitalization-weighted index of all Nasdaq National Market and SmallCap stocks.
The 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 Empire State Manufacturing Index is based on the monthly survey of manufacturers in New York State conducted by the Federal Reserve Bank of New York. The index is based on survey responses to a questionnaire sent out on the first day of each month to an unchanged pool of about 200 top manufacturing executives. The questionnaire seeks their opinion on the change in a number of business indicators from the previous month, and also the likely direction of these indicators six months into the future.
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 National Federation of Independent Business's (NFIB) Index of business optimism is based on responses from 1221 member firms.
The Market Vectors Junior Gold Miners Index is a market-capitalization-weighted index. It covers the largest and most liquid companies that derive at least 50 percent from gold or silver mining or have properties to do so.
The Bloomberg World Iron/Steel Index is a capitalization-weighted index of the leading iron/steel stocks in the world.
S&P Oil & Gas Refining and Marketing Index tracks the market performance of downstream oil and gas companies.
The S&P/TSX Venture Composite Index is a broad market indicator for the Canadian venture capital market. The index is market capitalization weighted and, at its inception, included 531 companies. A quarterly revision process is used to remove companies that comprise less than 0.05% of the weight of the index, and add companies whose weight, when included, will be greater than 0.05% of the index.
S&P/TSX Capped Diversified Metals and Mining Index is an index of companies engaged in diversified production or extraction of metals and minerals.
The FTSE/JSE Africa All Shares Index is a market capitalization-weighted index. Companies included in this index make up the top 99% of the total pre-free float market capitalization of all listed companies on the Johannesburg Stock Exchange.
The Athens Stock Exchange General Index is a capitalization-weighted index of Greek stocks listed on the Athens Stock Exchange.