U.S. Global Investors
Investor Alert

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As the Eurozone Stalls, China Cuts the Red Tape

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Forty-four percent. That's the alarming unemployment rate for those aged 15 to 25 in Italy, where I traveled last week to meet with other global chief executives and business leaders.

The reasons for Italy's high youth unemployment? Tortuous red tape, high taxation and thuggish unions. More so than any other EU nation, Italy is mired in unionization. This has created a restrictive jobs market that crowds out well-educated, aspirational young people, many of whom are forced to flee their homes and seek work elsewhere.

But "elsewhere" within the European Union is currently not much of an improvement. Even in Germany, the EU's most reliable economy, train and airline unionists have gone on strike, bringing the country to a near-standstill. Incredibly, both Italy and France—where the youth unemployment rate stands at 24 percent—want the EU to foot the bill for their joblessness woes. Global investors' patience has been stretched thin as European Central Bank (ECB) President Mario Draghi and German Chancellor Angela Merkel continue to bicker over how to resolve the region's slowdown.

A penny-farthing economy on a precarious ride: Fiscal and monetary policy are imbalanced in the eurozone.

As I told CNBC Asia's Bernie Lo, the EU's default policy is to tax anything that moves. Led by pro-taxation economists such as France's Thomas Piketty, Europe's policies have become a sort of contagion resonating throughout the rest of the world. The eurozone countries have an imbalanced approach to jumpstarting their economies, relying only on monetary policy but failing to address fiscal issues such as punitive taxation and entitlement spending.

You can see how disastrous the results have been: France and Germany's industrial production has turned down recently. Their purchasing managers' index (PMI) numbers are below the 50-mark line, indicating contraction. This trend is especially worrisome because Europe is a bigger trading partner with China than the U.S. is.

So what's the solution?

The EU would do well to look east, specifically to China.

China Handing over Its Economy's Keys to Capital Markets

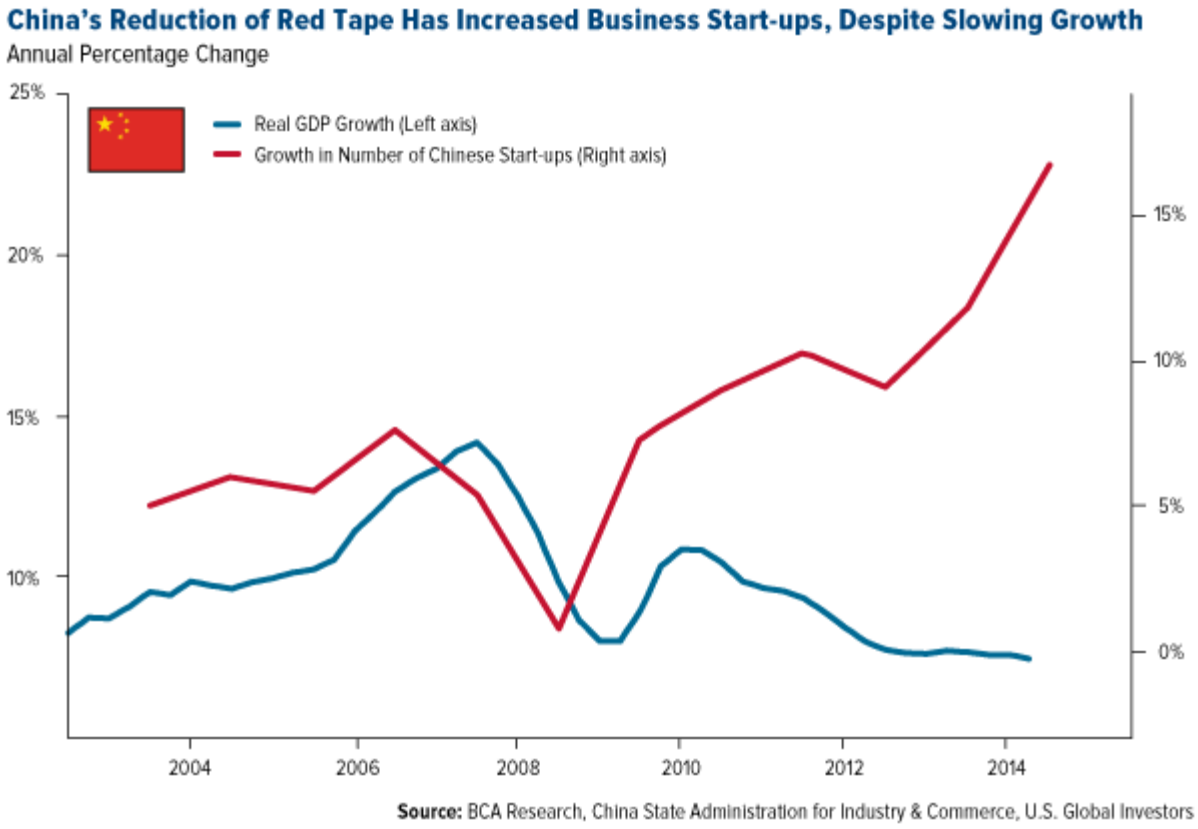
This week senior Chinese officials are meeting in Beijing to resolve the sorts of problems the EU can't seem to fix, let alone acknowledge. On the chopping block are regulations—hundreds of them. According to Premier Li Keqiang, 416 lines of red tape have allegedly either been abolished or eased in order to facilitate business

growth in important sectors such as transportation, logistics and telecommunications. In June, Li vowed to slash an additional 200 measures.

The Chinese government also plans to relax oversight of key areas such as utilities and natural resources, land and the pricing mechanism of money. Gone is the government's control over shale gas, coal bed methane and imported liquefied natural gas (LNG). The mining sector's tax code has been reformed. And for the first time, private companies have been granted the license to ship crude oil.

It appears as if China is starting to see the light. They're introducing competition back into their capital markets instead of strangling it, as the eurozone is fond of doing. Between January and September, 10.97 million new jobs were created in China, exceeding the government's goal of 10 million in 2014 and beating the benchmark by an entire quarter, according to China's National Bureau of Statistics (NBS).

As you can see below, new business start-ups in China have skyrocketed.



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These red tape-cutting measures, coupled with fiscal stimulus, are needed now more than ever. As promising as Premier Li's promises are, China still faces deflation and declining real GDP growth. The Asian country's economy is currently headed for its slowest expansion since 1990, the main culprit of which is the struggling real estate market.

Other problems also continue to hold China back, many of them deeply-rooted and systemic. The Ease of Doing Business Index ranks China 158 out of 189 economies in the "Starting a Business" category and an almost-dead-last 185 in the "Dealing with Construction Permits" category. According to the World Economic Forum's most recent Global Competitiveness Report, the two most problematic factors for conducting business in China are access to financing and corruption, another issue Chinese officials are addressing this week.

These issues can't and won't be fixed overnight. But unlike the EU, China acknowledges them and is seeking innovative solutions. One of the only benefits to having a one-party system, as China does, is that you can't shuffle off a set of problems to another party and then lay the blame at their feet when they go unresolved. You *must* think long-term.

Constructive Manufacturing News

A couple of days ago we were relieved to learn that China's flash PMI came in at 50.4. Anything over 50

indicates growth in the manufacturing sector, but as I've discussed on numerous occasions, what really matters is that the one-month reading crosses above the three-month moving average. Such a "cross-above" historically means that commodities and commodity stocks perform better in the coming months. Based on our research, three months following a cross-above, there's a 73 percent chance that the S&P 500 Index will rise more than 2.4 percent and a 55 percent chance that the S&P 1500 Energy Index will rise more than 0.7 percent.

As you can see, this crossover did indeed occur, the first time it's done so since May.

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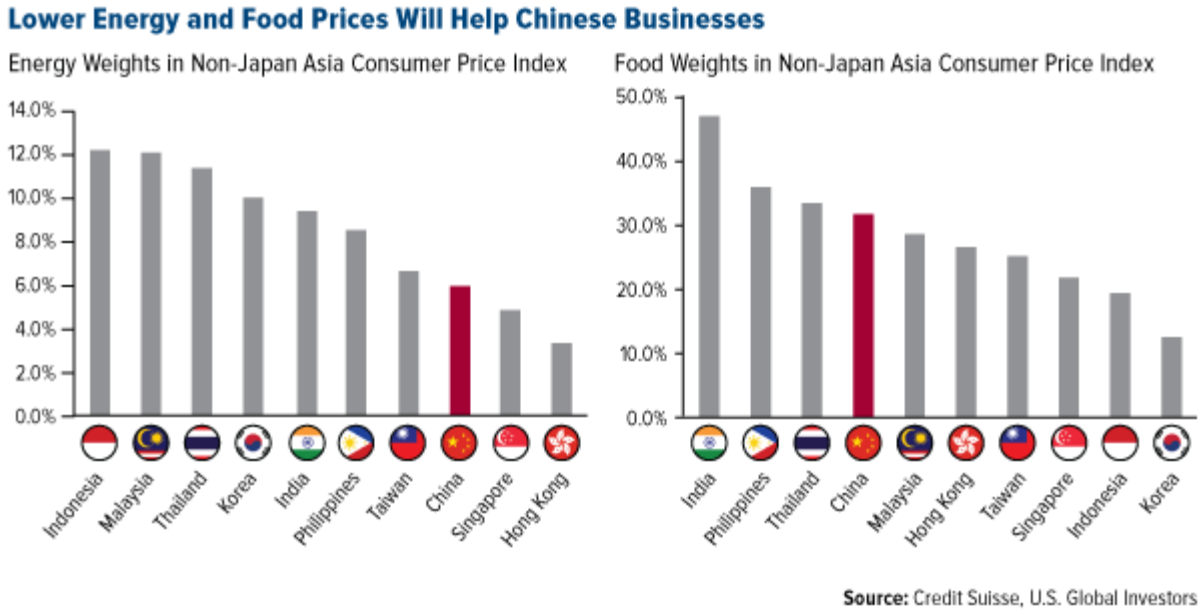
Of course, flash PMIs are merely preliminary, and we won't know the final results until the end of the month. But for now this is certainly positive news.

Emerging Asia Wins with Cheap Commodities

One of the reasons why Chinese manufacturing is picking up steam might be the recent collapse in commodity prices. Low commodity prices undeniably hurt certain stocks in the space, and we've felt the pain in some of our funds. The silver-lining, though, is that these low prices have helped non-Japan Asian companies get ahead, a tailwind for our China Region Fund (USCOX). Because labor continues to be relatively cheap in Asia, commodities tend to be the single-largest company expenditure.



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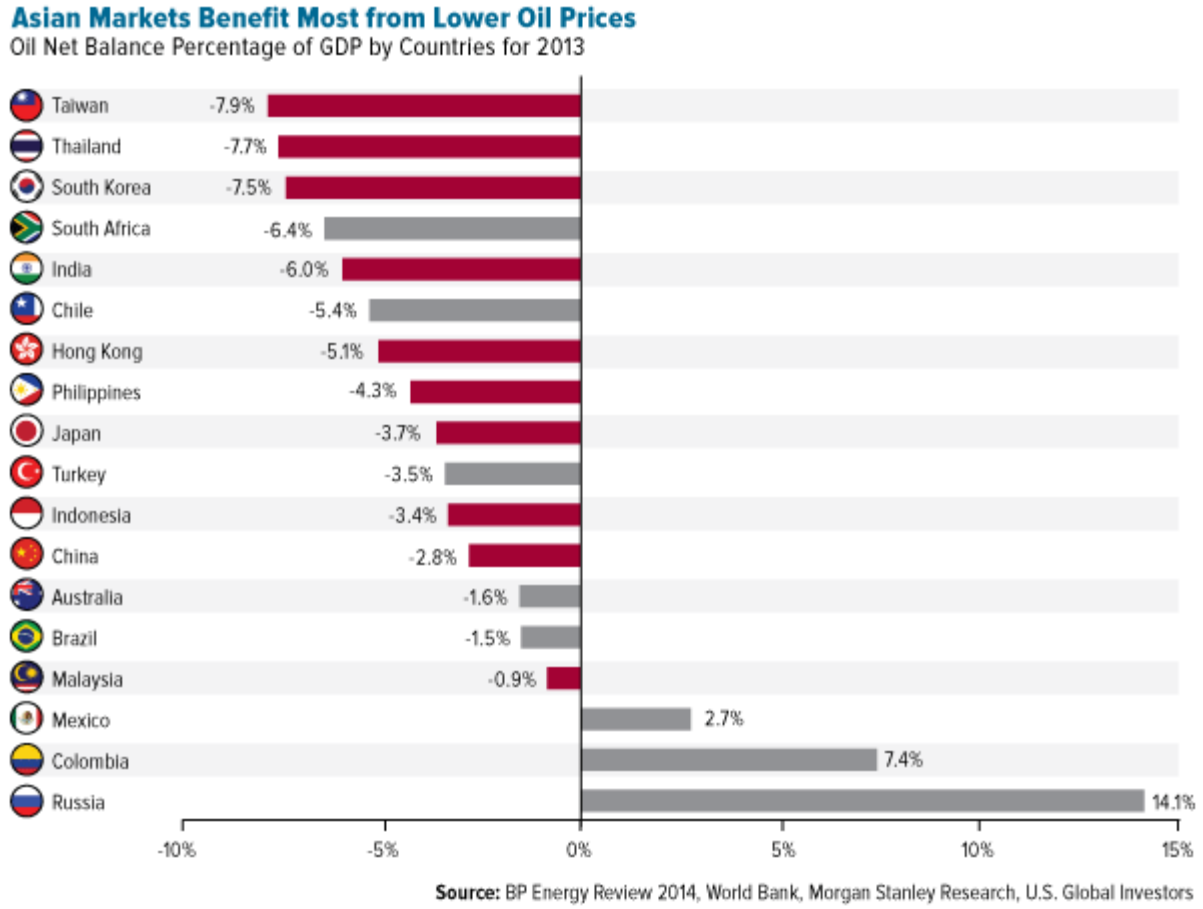
Lower steel and aluminum costs benefit machinery, automobile and equipment manufacturers, as well as homebuilders, shipbuilders and oil and drilling equipment suppliers; falling corn and wheat prices are welcomed by food and beverage producers; cheap copper is good for construction and engineering, utilities and electrical equipment.

Then there's oil and gas. Since June, Brent crude has corrected itself over 25 percent. Again, this is a headwind for petroleum companies and large net-oil-exporting nations such as Russia and Mexico, but cheap energy equates to huge savings for emerging Asian countries.



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One final bellwether of economic growth I want to touch upon is accelerated electricity generation and usage. In

the past, Chinese Premier Li Keqiang has cited this as one of the more reliable indicators of economic activity because electricity is not easily stored and the data is difficult to manipulate. This month, energy production improved 4.1 percent year-over-year —not a huge cause for celebration, but a step in the right direction nonetheless.

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China Is a Long-Term Story

Compared to many eurozone nations, China is relatively young. Whereas the median age in Italy is 43 years, in China it's 35. There's huge growth potential in this region, especially now that Premier Li has resolved to cut red tape and balance monetary and fiscal policy. In 10 years' time, the 35-to-45 cohort, a well-educated group with good salaries and credit, will expand dramatically.

With a more balanced approach to monetary and fiscal policy than the eurozone, China is able to be more productive.

Consider this: of the 1.35 billion Chinese citizens, about 618 million, nearly half, have access to the Internet. Of those, 302 million, nearly half again, shop online. These numbers will continue to grow, and with them, greater investment opportunity. Name one Western European company that, in recent years, has achieved the sort of success Alibaba, Tencent or Baidu has. Not in a Piketty economy.

I encourage investors who are seeking growth potential to check out our China Region Fund's composition.

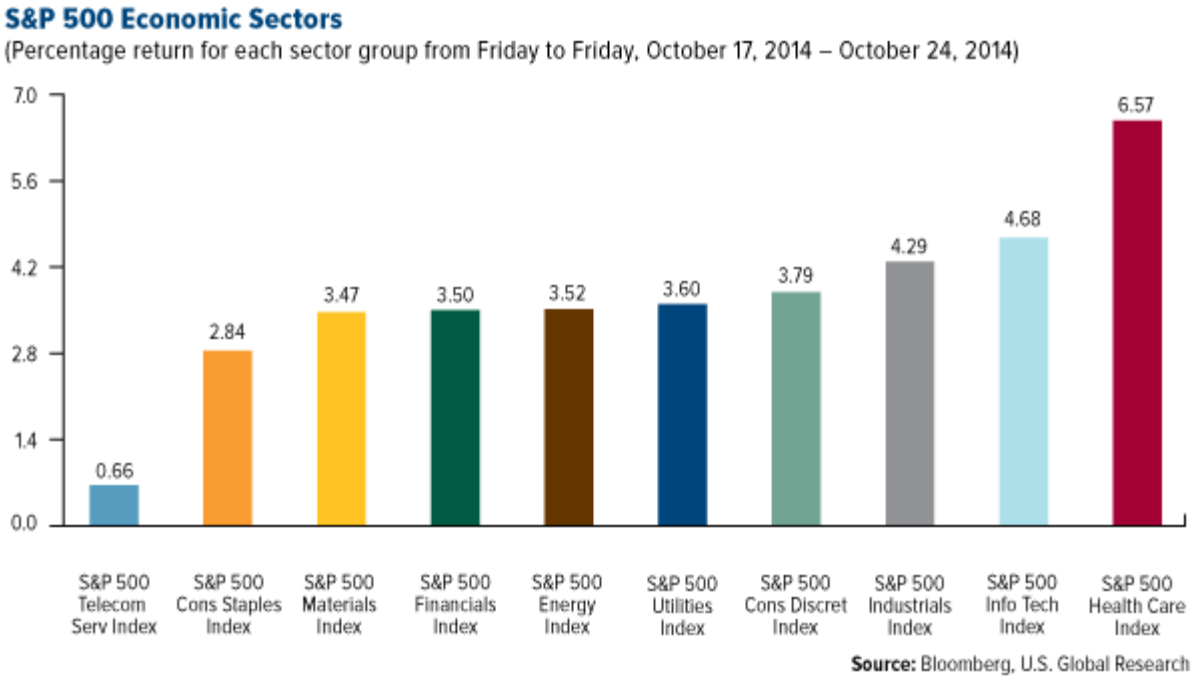
And to those who prefer a "no-drama" fund, please take a look at our Near-Term Fax Free Fund (NEARX).

Index Summary

- Major market indices finished higher this week. The Dow Jones Industrial Average rose 2.59 percent. The S&P 500 Stock Index dropped 4.12 percent, while the Nasdaq Composite rose 5.29 percent. The Russell 2000 small capitalization index rose 3.37 percent this week.
- The Hang Seng Composite rose 1.21 percent; Taiwan rose 1.56 percent and the KOSPI rose 1.32 percent.
- The 10-year Treasury bond yield rose seven basis points to 2.26 percent.

Domestic Equity Market

The S&P 500 index posted a gain this week, contradicting the previous month long bearish trend. Equity market strength came on earnings results, some near-term Ebola fears subsiding, and positive home sales numbers. With Wednesday being the only negative closing day, the S&P 500 continues to stay above its 200-day moving average, showing strength in the bullish trend of the overall market.



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Strengths

- All sectors were positive for the week, led by health care. Tractor Supply Co. was the top performer in the S&P 500, up 13.09 percent over the prior five days following a better-than-expected earnings report. Celgene Corp was another top gainer, up 16.91 percent in the period.
- The Industrial sector continued to do well. The sector was led by airlines, which were up 11.88 percent for the week. Ingersoll-Rand and Illinois Tools Works benefited from a strong sector rebound, up 6.59 percent and 5.41 percent respectively.
- Higher than expected new home sales provided a tail wind for equity market bulls.

Weaknesses

- Telecom was the worst performing sector this week, mainly on weak news from AT&T, down 0.70 percent. However, the sector still closed positive for the week.
- The consumer staples sector was the next lowest performer. Costco and Wholefoods closed down as money flowed from defensive to more risky areas of the markets.
- IBM fell 11 percent this week and was the worst performer in the S&P 500 after missing third quarter earnings and announcing it was getting rid of its money loosing chip making business. Another big laggard was Amazon Corp, down 5.44 percent, after missing earnings and taking a large loss for unsold inventory.

Opportunities

- Next week, pending home sales numbers are to be released, and expected to be much higher than the previous period. If they beat expectations like new home sales this week, this could add more fuel to the fire and keep the market going up.
- Lower crude oil prices will help lower income consumers and increase discretionary spending
- The market continues to make new highs, and rebounded strongly after touching the 200-day moving average on Wednesday, showing strong support for the equity uptrend.

Threats

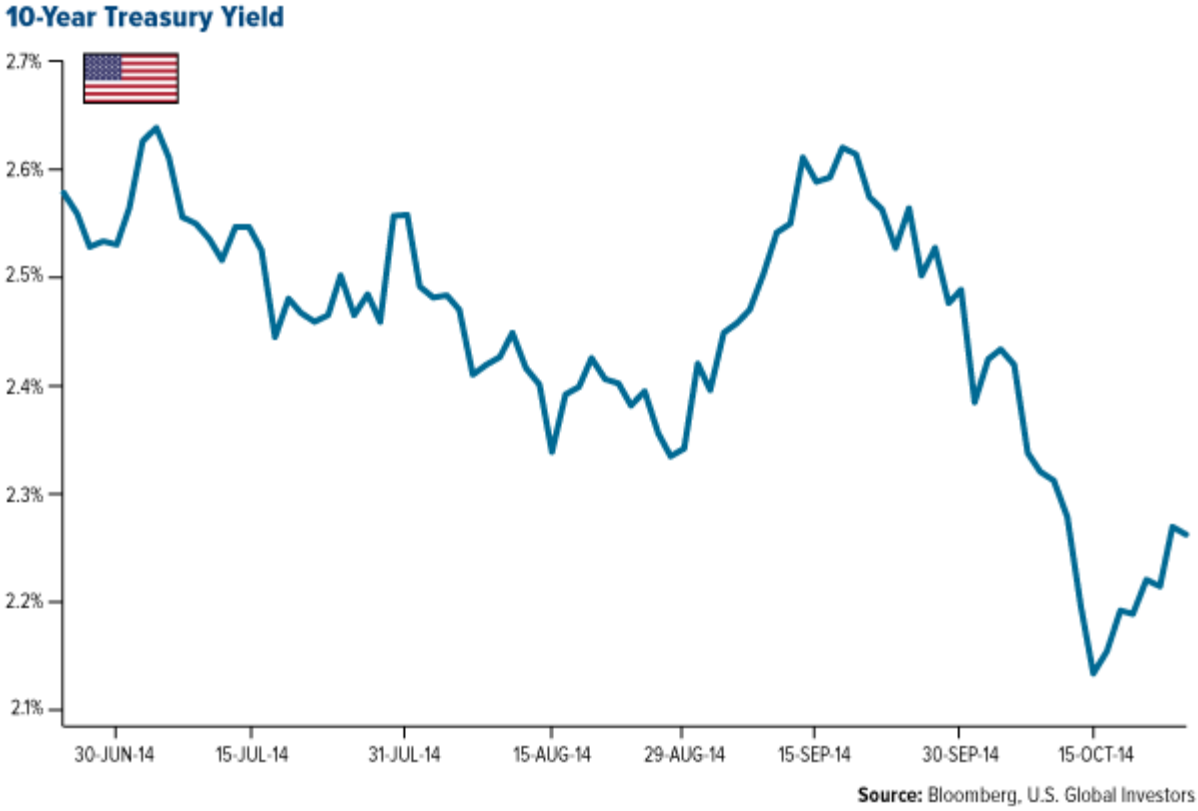
- With this next week being one of the busiest earnings weeks, market volatility may be higher than normal.

- With a new case of Ebola in New York, and containment in question, fear could spread faster and more aggressively than the virus itself.
- Russia's economy continues to decline on lower oil prices and a weak currency, and with the upcoming European bank stress test, and sluggish growth in China, the international equity markets continue to be tenuous relative to U.S. markets.

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

The Economy and Bond Market

Treasury yields rose across the board this week, with two-year Treasuries up 4.04 percent, and the 10-year up 3.33 percent. This overall trend is slightly more positive than the previous week, which fell to year lows. Higher yields continue to show strength across the board, highlighting a more constructive view for growth than last week.



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Strengths

- The European Central Bank commenced covered bond buying, which amounted to 800 million euro in the first three days.

- Manufacturing PMI came in above the key 50 level, signaling steady economic activity.
- New home sales and existing home sales, and, as expected, mortgage applications, beat expectations as low borrowing rates help bring out potential home buyers.

Weaknesses

- A draft document showed that roughly 25 banks will fail the euro stress test, including some of the largest shipping lending banks in the world.
- Brazil continues to be highly volatile as the country's election comes near, showing the largest South American economy is still struggling with the tumultuous political ramifications of potentially antibusiness and anti-foreign investment rhetoric.
- France's PMI numbers were weak, which shows its economy is still contracting. The world continues to look at America as a beacon for safe investing in the Western world.

Opportunities

- The European Central Bank has been purchasing corporate bonds, which will strengthen investor confidence in the region.
- The Fed announced that it will hold onto its $4 trillion balance sheet that it has accumulated since November 2008, which should restrict the supply of government notes and keep the borrowing costs down.
- With the financial crisis and subprime mortgage crisis receding farther into history, the government is loosening some financial rules, hoping to inject more life into the country's still-recovering housing market.

Threats

- The European Central Bank stress test over this weekend, and potential failures, may lead many to question the eurozone effectiveness.
- The end of quantitative easing may affect the bullish trend of the market, as it is unclear just how much of the market the Fed has been buying.
- With the geopolitical situations in Ukraine, Iraq and Syria, Greece's economic troubles, and new Ebola fears, investor anxiety remains high along with signs of further market volatility.

Gold Market

For the week, spot gold closed at $1,230.39 down $7.93 per ounce, or 0.64 percent. Gold stocks, as measured by the NYSE Arca Gold Miners Index, fell 1.31 percent. The U.S. Trade-Weighted Dollar Index rebounded 0.71 percent for the week.

Date	Event	Survey	Actual	Prior

Oct 20	China Retail Sales YoY	11.7%	11.6%	11.9%
Oct 22	US CPI YoY	1.6%	1.7%	1.7%
Oct 22	HSBC China Manufacturing PMI	50.2	50.4	50.2
Oct 23	US Initial Jobless Claims	281K	283K	264K
Oct 24	US New Home Sales	470K	467K	504K
Oct 28	US Durable Goods Orders	0.5%	--	-18.2%
Oct 28	US Consumer Confidence Index	87.0	--	86.0
Oct 30	US GDP Annualized QoQ	3.0%	--	4.6%
Oct 30	Germany CPI YoY	0.9%	--	0.8%
Oct 31	Eurozone Core CPI YoY	0.8%	--	0.8%

Strengths

- Gold analysts and traders are bullish on gold for the fourth-straight week, the longest streak since February. Bloomberg survey results for next week showed 11 out of 21 traders holding a bullish outlook for gold.
- The primary driver for the recent positive sentiment on gold is higher expected demand, particularly from China and India. Gold imports into India last month rose by roughly four times to 95 metric tons compared to 15 to 20 tons in September of last year. Festival season in India, as well as the deregulation of the Chinese gold market, has given a substantial boost to global gold demand.
- Fear and uncertainty in the global economy is stimulating gold demand as well. This month the International Monetary Fund (IMF) downgraded its outlook for global growth, increasing the attractiveness of gold as a safe haven. Furthermore, the more dovish mentality from the Federal Reserve has been a big tailwind for gold, which has been depressed by expectations of rate increases.

Weaknesses

- JP Morgan reduced its gold price forecast for 2015 and 2016 this week. The bank sees gold prices declining to $1,220 per ounce and $1,200 per ounce in 2015 and 2016, respectively.
- SPDR Gold Trust holdings were reduced to their lowest level in a year on Monday. This decline in gold assets is concerning given that gold prices have recently rebounded.
- Alamos Gold reported disappointing third-quarter results this week. During the quarter, the company only produced 28,000 ounces at higher than expected costs. Despite the poor operating performance, the company's financial position remains strong with $375 million in cash and no debt. Expectations remain that Alamos could acquire another asset in the nea -term.

Opportunities

- The first opinion poll pertaining to the Swiss gold referendum revealed stronger support for the policy than against. The referendum would require the Swiss National Bank to hold at least 20 percent of its reserves in gold. As it currently stands, the Swiss National bank has only 7 percent of its reserves in gold. The cost to reach the 20 percent mark would amount to roughly $70 billion of additional gold purchases.
- Lukas Lundin, Chief Executive Officer of Fortress Minerals Corp., seeks to raise the value of the company fivefold over the next four to five years. The positive outlook for Fortress Minerals stems from the recently announced acquisition of the Fruta del Norte gold project in Ecuador. The government of Ecuador has already indicated its support for the project.

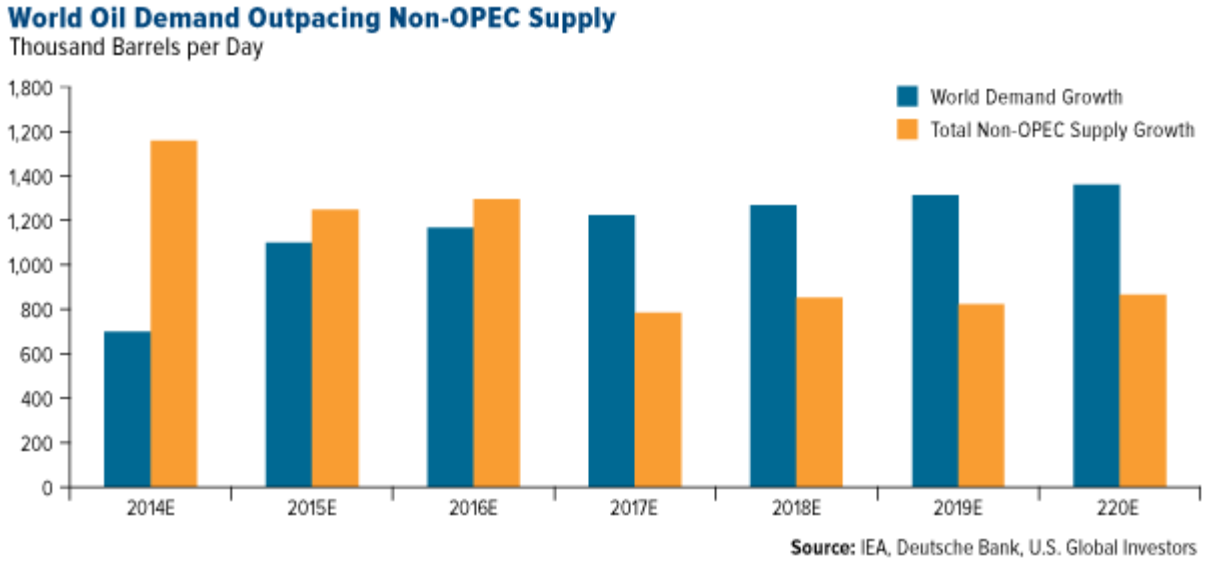
- This week, Royal Gold Inc. purchases a $175 million gold stream on Euromax Resources' Ilovitza greenfield project. The project is expected to be Macedonia's first modern gold mine and is said to have a proven management team as well as strong local support.

Threats

- Zambia altered its tax rules for the second time in six years this month. The government is aiming to scrap the corporate tax rate and variable taxes in favor of raising the revenue-based royalty. While the royalty currently stands at 6 percent, it could go as high as 20 percent.
- Severe droughts in the western United States may weigh heavily on mining companies operating in the region. In 2013, mining companies around the world spent $12 billion on water infrastructure, a 275 percent increase from 2009. The extra costs incurred by maintaining water quality and quantity are problematic for the industry.
- Paul Tudor Jones, a world renowned macro trader, said that commodities as a whole will be ugly until at least 2020. Jones argues that having reached the peak a few years ago, commodities still have a long way to go before the bottom is reached.

Global Resources Fund - PSPFX

Energy and Natural Resources Market



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Strengths

- Chemical stocks outperformed this week, with the S&P Supercomposite Chemicals Industry Index up 3.5 percent. One company in particular, LyondellBasell Industries NV, a manufacturer of plastic, chemical and fuel products, reported higher than expected earnings this week. Furthermore, LyondellBasell is forecasting a positive fourth quarter due to favorable ethylene capacity. The company stock was up 3.1

percent this week.

- According to Wall Street analysts, Cenovus Energy Inc. may increase its annual dividend by 10 percent to C$1.17 per share in February, after it reports fourth-quarter earnings. The company was up 4.5 percent this week.

- A historic source of contention between the British Columbian government and the liquefied natural gas (LNG) industry, the government's long-awaited tax regime has been established. The regime reduces the after-payout tax rate from 7 percent to 3.5 percent, which should boost investment in natural gas developing companies in the region. CanElson Drilling Inc. and Black Diamond Group Ltd were up 1.2 percent and 4.4 percent this week on the news, respectively.

Weaknesses

- Gold and silver mining stocks suffered this week as concerns over a slowdown in global growth eased. The NYSE Arca Gold Miners Index was down 1.3 percent this week, while the Global X Silver Miners ETF fell by 2.3 percent.

- Micro-cap stocks continued to underperform their larger counterparts in global markets. The S&P/TSX Venture Composite Index was down 0.58 percent this week.

Opportunities

- Codelco, a Santiago-based copper producer, is looking to invest $24 billion over the next four to five years in order to increase annual output to roughly 2.5 million tons by 2025. The company plans on selling roughly $8 billion of bonds over the next five years to help finance the program.

- Investments in oil funds are on the rise as investors prepare for a rebound in global energy stocks. The four largest oil ETFs in the United States received a combined $334 million this month through October 20. Shares outstanding in the funds are now at a nine-month high.

Threats

- A major Wall Street firm has lowered its forecast for domestic oil producers given current oil prices. According to the report, United States oil producers will outspend 2015 cash flow by an average of 80 percent with WTI below $80 per barrel. Furthermore, debt to EBITDA will increase to an average of 2.5x by the end of 2015, up from 1.9x at the end of the second quarter this year.

- The dollar appears to be consolidating, showing no sign of returning to its prior range. Without any catalyst in sight, it appears that the dollar's newfound strength is here to stay.

China Region Fund - USCOX • Emerging Europe Fund - EUROX

Emerging Markets

Strengths

- Malaysia was among the best-performing countries in Asia this week, led by plantation companies as palm oil futures rose to a two-week high on hopes that even a weak El Nino by the end of this year might cause drought, curb palm oil production, and push up prices.

- Greece saw a tremendous bounce back this week as concern over the country's financial stability eased. Greece is eagerly awaiting the results of the banking system stress test, which the government believes will yield positive results. Yields on the 10-year Greek government bonds have declined roughly 160 basis points to 7.327 percent since last week's high. The Athens Stock Exchange General Index was up 6.39 percent this week, breaking six weeks of consecutive declines.

- Indian stocks rallied this week on the back of increased demand from festival season as well as optimism over Prime Minister Modi's expected policy changes aimed at boosting growth. The S&P BSE Sensex Index rose 2.84 percent this week.

Weaknesses

- Two polls released this week showed Brazilian President Dilma Rousseff leading over her challenger, Aecio Neves. The Datafolha poll showed Rousseff holding 48 percent of the vote compared to Neves holding 42 percent. Given that prior polling data showed a closer race, the lead obtained by Rousseff is troubling to investors. The Ibovespa Brasil Sao Paulo Stock Exchange Index was down 6.79 percent this week.

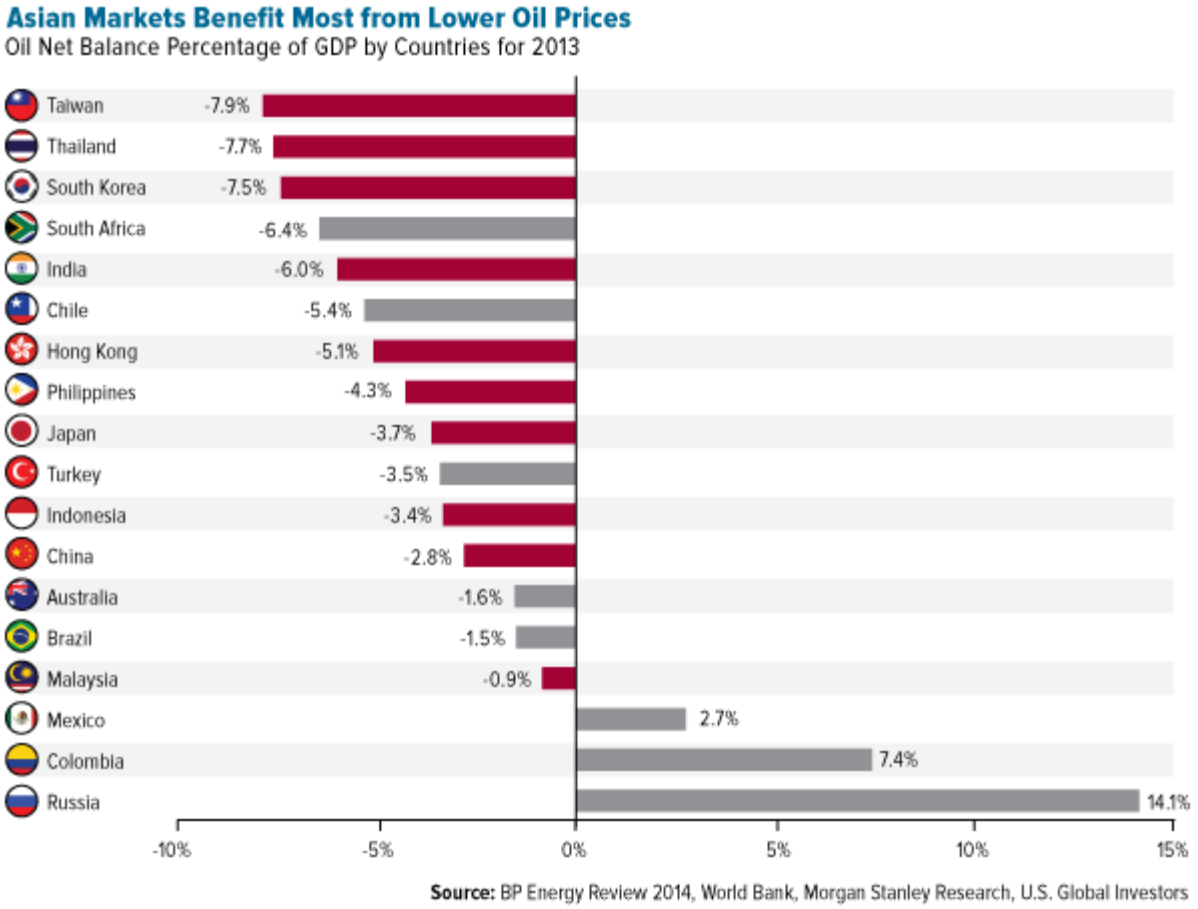
- Russian stocks continue to underperform in an environment composed of high interest rates, a depreciating currency, and depressed oil prices. The MICEX Index declined 0.31 percent this week, while the ruble depreciated 2.72 percent against the dollar.

- Telecommunications was the worst-performing sector in Asia this week, as China Unicom reported lower than expected third-quarter revenue, losing mobile market share to China Mobile for the first time in the past five years, as the latter continued to accelerate additions of 4G subscribers.

Opportunities

- Turkey revealed that it is the benchmark repurchase rate unchanged at 8.25 percent, in line with expectations. The country seeks to maintain a tighter monetary policy to curb a depreciating currency and inflation pressures. Higher rates are also conducive for attracting capital flows, which Turkey is very sensitive to. Turkish stocks had been weakened in the prior weeks as investors predicted higher rates in the United States. However, the recent slowdown in global growth has caused many to predict a delay in rate increases in the United States, which should be positive for Turkey. The Borsa Istanbul 100 Index was up 5.14 percent this week.

- Although a headwind to oil-leveraged countries, current oil prices provide a boost to many emerging markets in the form of cheaper input costs. Four out of the top five oil-trade-deficit countries are Asian and can expect a significant boost from lower energy prices. However, Russia, Colombia and Mexico are likely to face headwinds as net exporters of oil.



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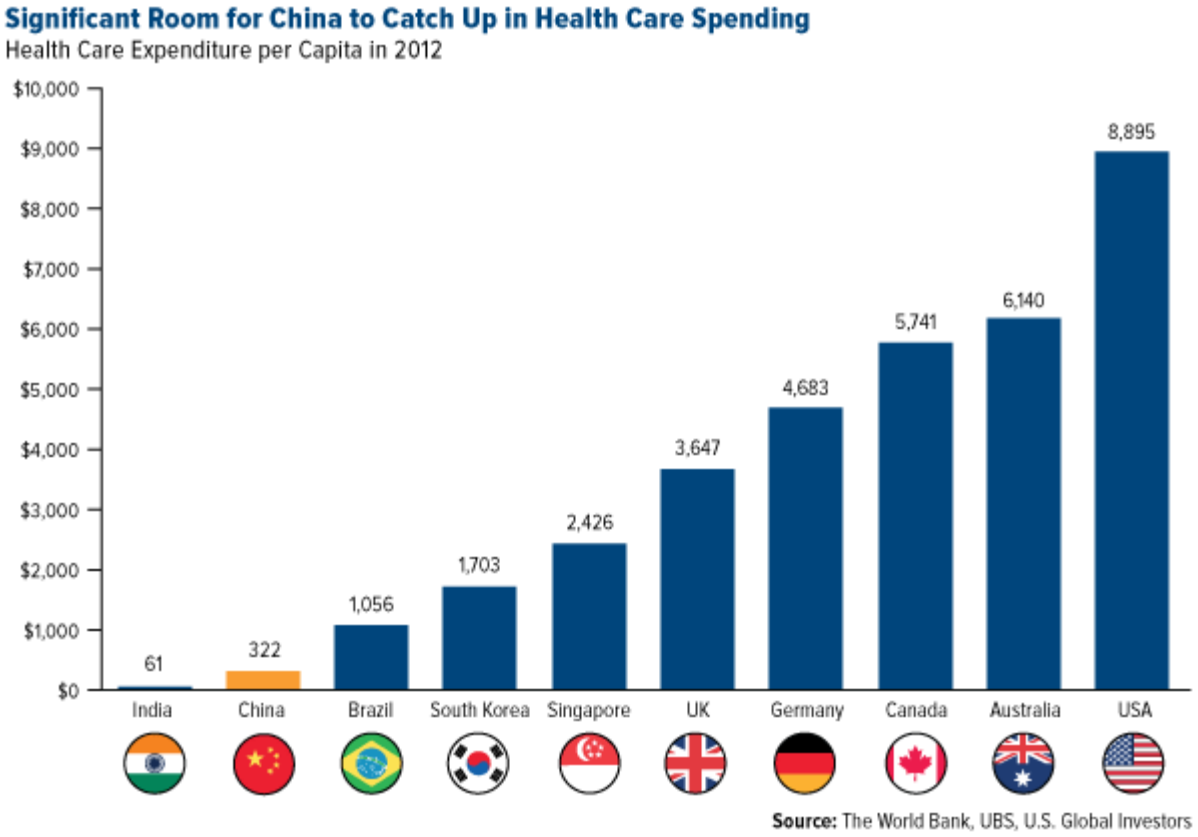
- Returning toxic smog in northern China and rising media attention to public health hazards such as Ebola should remind investors of structural investment merits of China's health care sector. Total health care expenditure in China has historically lagged its overall economic growth as well as international peers. An aging population, urbanization-related lifestyle shift and environmental degradation have led to rapidly growing chronic disease occurrences. Going forward, higher government spending to make health care more affordable should benefit the sector long term.



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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.
- It is worth noting that despite all of the volatility in Brazil surrounding the election, the country is still in a recession and dealing with a declining currency as well as high inflation. Investors should not forget that even if Aecio Neves wins in the runoff this Sunday, the country will most likely have to experience painful policies to uphold the currency and subdue inflation.
- The dollar, although no longer rising at unprecedented rates, is still strong. It would appear that without any formidable catalyst in sight the dollar will consolidate at current levels. While the current value of the dollar is factored in to many investors' outlooks, it remains a negative sign of the global economy.

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(%)

Nasdaq	4,483.72	+225.28	+5.29%
S&P 500	1,964.58	+77.82	+4.12%
S&P Energy	628.23	+21.33	+3.51%
S&P Basic Materials	303.85	+10.19	+3.47%
Russell 2000	1,118.82	+36.50	+3.37%
10-Yr Treasury Bond	2.27	+0.07	+3.33%
DJIA	16,805.41	+425.00	+2.59%
Korean KOSPI Index	1,925.69	+25.03	+1.32%
Hang Seng Composite Index	3,196.27	+36.00	+1.14%
Gold Futures	1,230.60	-8.40	-0.68%
XAU	75.93	-1.15	-1.49%
Oil Futures	81.29	-1.46	-1.76%
S&P/TSX Canadian Gold Index	159.45	-3.08	-1.90%
Natural Gas Futures	3.63	-0.14	-3.64%

Monthly Performance

Index	Close	Monthly Change($)	Monthly Change(%)
Gold Futures	1,230.60	+11.10	+0.91%
Russell 2000	1,118.82	-9.49	-0.84%
Nasdaq	4,483.72	-71.51	-1.57%
S&P 500	1,964.58	-33.72	-1.69%
DJIA	16,805.41	-404.65	-2.35%
S&P Basic Materials	303.85	-15.83	-4.95%
Korean KOSPI Index	1,925.69	-109.95	-5.40%
S&P/TSX Canadian Gold Index	159.45	-11.13	-6.52%
S&P Energy	628.23	-45.40	-6.74%
Natural Gas Futures	3.63	-0.28	-7.21%
XAU	75.93	-9.05	-10.65%
10-Yr Treasury Bond	2.27	-0.30	-11.62%
Oil Futures	81.29	-11.51	-12.40%
Hang Seng Composite Index	3,196.27	-332.01	-14.83%

Quarterly Performance

Index	Close	Quarterly Change($)	Quarterly Change(%)
Nasdaq	4,483.72	+11.61	+0.26%
S&P 500	1,964.58	-23.40	-1.18%
DJIA	16,805.41	-278.39	-1.63%
Russell 2000	1,118.82	-37.44	-3.24%
S&P Basic Materials	303.85	-11.77	-3.73%
Hang Seng Composite Index	3,196.27	-125.12	-3.77%
Gold Futures	1,230.60	-62.10	-4.80%
Korean KOSPI Index	1,925.69	-100.93	-4.98%
Natural Gas Futures	3.63	-0.22	-5.67%
10-Yr Treasury Bond	2.27	-0.24	-9.43%
S&P Energy	628.23	-105.21	-14.34%

S&P/TSX Canadian Gold Index	159.45	-35.02	-18.01%
Oil Futures	81.29	-20.78	-20.36%
XAU	75.93	-22.63	-22.96%

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%

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 9/30/2014:

Alibaba Group Holding Ltd.: China Region Fund, 0.42%
Tencent Holdings Ltd.: China Region Fund, 5.62%
Baidu Inc.: China Region Fund, 2.44%
Tractor Supply Co.: 0.00%
Celgene Corp: All American Equity Fund, 1.23%, Holmes Macro Trends Fund, 1.14%
Ingersoll-Rand PLC: All American Equity Fund, 0.95%
Illinois Tool Works Inc.: All American Equity Fund, 0.98%
AT&T Inc.: All American Equity Fund, 1.09%
Costco: 0.00%
Whole Foods: 0.00%
IBM: 0.00%
Amazon.com Inc.: 0.00%
Alamos Gold Inc.: World Precious Minerals Fund, 0.04%
Fortress Minerals Corp.: World Precious Minerals Fund, 1.02%; Global Resources Fund, 0.27%
Royal Gold Inc.: Gold and Precious Minerals Fund, 3.44%, World Precious Minerals Fund, 1.01%, All American Equity Fund, 0.98%, Holmes Macro Trends Fund 0.98%
Euromax Resources: 0.00%
SPDR Gold Trust: Gold and Precious Metals Fund, 0.32%
LyondellBasell Industries NV: Global Resources Fund, 1.70%, All American Equity Fund, 1.03%
Cenovus Energy Inc: Global Resources Fund, 1.68%
CanElson Drilling Inc.: Global Resources Fund, 1.29%
Black Diamond Group Ltd.: Global Resources Fund, 0.70%
Global X Silver Miners ETF: Gold and Precious Minerals Fund, 0.01%; World Precious Minerals Fund, 0.01%
Codelco: 0.00%
China Unicom: 0.00%

*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 Athens Stock Exchange General Index is a capitalization-weighted index of Greek stocks listed on the Athens Stock Exchange.
The S&P BSE SENSEX Index is a free-float market-weighted stock market index of 30 well-established and financially sound companies listed on the Bombay Stock Exchange.
The Ibovespa Index is a gross total return index weighted by traded volume and is comprised of the most liquid stocks traded on the Sao Paulo Stock Exchange.
The MICEX Index is the real-time cap-weighted Russian composite index. It comprises 30 most liquid stocks of Russian largest and most developed companies from 10 main economy sectors. The MICEX Index was launched on September 22, 1997, base value 100. The MICEX Index is calculated and disseminated by the MICEX Stock Exchange, the main Russian stock exchange.
The Istanbul Stock Exchange National 100 Index (XU100) is a capitalization-weighted index composed of National Market companies except investment trusts.
The Ease of Doing Business Index is an index created by the World Bank measuring regulations directly affecting businesses.