Behold the Power of Buybacks and Dividends

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

Buybacks and dividends. The mere mention of either one is often enough to make some investors' hearts race with excitement and embolden them with confidence that company management is being a better steward of capital.

Last week I discussed the importance of core investments, focusing on debt securities such as U.S. Treasuries and quality municipal bonds. Because most economists expect the Federal Reserve to raise interest rates later this year, it might be prudent for investors to stick with short-term, quality munis right now, as they're less sensitive to rate increases than longer-term bonds.

But just as important to building a strong portfolio are investments in companies that return capital to shareholders in the form of dividends and repurchases of shares. This is one of the ways, in fact, that we screen companies for inclusion in our All American Equity Fund (GBTFX).

**$1.2 Trillion in Buybacks**

Why should you care about buybacks? There are a few answers to this question, but typically a company will initiate a buyback program when its management team believes that the stock is undervalued. This suggests that the company has a lot of confidence in its own future and could signal that strong growth is ahead.

Some effects and possible ramifications of buybacks are higher earnings per share, higher stock price and lower volatility.

When it comes to stock buybacks, no other world market right now beats the U.S. If we look at net buybacks, which is the difference between issuances and buybacks, American companies are clearly in the lead, repurchasing over 2 percent of market cap.
In April, a staggering $141 billion in buybacks were authorized—the most ever in a single month and an increase of 121 percent from April 2014. If this pace keeps up, a record $1.2 trillion in buybacks could be reached by year’s end, crushing the all-time high of $863 billion set in 2007.

Leading the way is Apple, held in our All American Equity Fund and Holmes Macro Trends Fund (MEGAX). Between August 2012 and March 2015, the tech giant repurchased $80 billion of its own shares.

As for dividends, Apple has paid out $2.8 billion in each of the last four quarters, for a total of over $11 billion.
Dividends per Share at Stunning Double-Digit Growth Rates—Government Bonds at Unattractive Yields

Goldman Sachs recently estimated that dividend yield will be the single largest contributor to total returns by the end of this year.

It’s easy to see why, judging from the sheer number of companies that offer a dividend now. Apple is joined by 420 others in the S&P 500 Index that similarly reward shareholders. That calculates to an impressive 84-percent participation rate.

For the last 16 quarters, dividends per share rose at double-digit rates, and each of the last four quarters gave us a new record high in payment amounts.

**10 Years of Dividend Payments**

Earlier in the month I shared the fact that dividends had a 15 percent year-over-year growth rate in the first quarter. Looking ahead, dividends per share are expected to increase an additional 8.2 percent over the 12 months starting March 2015.

Compare these attractive figures to the five-year government bond. Not only is the yield lower than that of S&P 500 companies as a whole, but the five-year doesn’t provide any growth. Stocks and Treasury bonds do have some obvious differences, though, including investment objectives, costs and expenses, liquidity and safety.
All of the companies in our All American Equity Fund either pay a dividend or buy back their stock. Those that currently have the highest yield are integrated energy company Entergy (5.12 percent), AT&T (5.44 percent) and communications provider CenturyLink (6.5 percent). The three also have stock buyback programs.

Airlines Top the List of Bargain Stocks

Investors might point out that the domestic equities market is expensive right now. Historically, it is. The S&P 500 is trading at 18.6 times earnings.

But there still are many potentially rewarding deals out there. Barron’s recently published its annual list of the 500 cheapest domestic stocks, which in the past have demonstrated better-than-average growth. In 2014, for instance, the 20 cheapest stocks on the list rose a combined 20.7 percent, beating the 12.6 percent the S&P companies as a whole delivered.

This year, American Airlines and United Continental top the list of cheap stocks, the former trading at 5.1 times estimated earnings, the latter at 5.7. Also appearing in the top 20 are Prudential Financial, MetLife, Hewlett-Packard and Valero—all vastly cheaper than the S&P 500, and all held in our All American Equity Fund.

Buying the Dip

Too often we see that investors buy into a stock or industry too late in a bull market, after much of the gains have already been made.

We saw this very thing happen when the Shanghai Composite Index tumbled 6.5 percent on Thursday, the most significant correction since January. The index has been on a tear for the 12-month period, returning over 125 percent. But between Wednesday of last week and Wednesday this week—just one day before the correction—approximately $4.6 billion in emerging market funds around the globe were moved into China A-Shares. It was the largest weekly inflow since 2005.
We noted the Shanghai Composite bull market last September and were early participants in the rally through our exposure to China A-Shares. We also accumulated on the dip this week, as we expect the index to move higher.

“It's very important to know the rhythm of a bull market—slow rise, sharp correction, slow rise, sharp correction,” says Xian Liang, portfolio manager of our China Region Fund (USCOX). “In fact, one should be concerned if the market doesn't correct because too much froth builds up in the near-term.”

Losing your confidence is one of the worst things that can happen when investing. We maintain our confidence by seeking companies that reward shareholders through stock buybacks and dividend payments and that trade at discounted rates.

**Index Summary**

- The major market indices finished lower this week. The Dow Jones Industrial Average fell 1.21 percent. The S&P 500 Stock Index fell 0.88 percent, while the Nasdaq Composite fell 0.38 percent. The Russell 2000 small capitalization index fell 0.45 percent this week.

- The Hang Seng Composite fell 1.56 percent this week; while Taiwan gained 0.65 percent and the KOSPI fell 1.46 percent.

- The 10-year Treasury bond yield fell 8.8 basis points to 2.12 percent.

**In the News**

<table>
<thead>
<tr>
<th>Date</th>
<th>Title</th>
</tr>
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<tbody>
<tr>
<td>May 29, 2015</td>
<td>Dividends Are Moving Markets</td>
</tr>
<tr>
<td>May 28, 2015</td>
<td>Opportunities Developing in the Oil Market</td>
</tr>
<tr>
<td>May 27, 2015</td>
<td>The Dollar and Gold Wrestling Match</td>
</tr>
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</table>

**Domestic Equity Market**
Strengths

- Each of the 10 sectors in the S&P 500 retreated this week. However, defensive sectors outperformed on a relative basis as investors reverted to a risk-off sentiment in response to uncertain global macro conditions and political risks. The best individual sector in the group was utilities, which fell 0.28 percent.

- New home sales came in higher than expected, surpassing the previous month’s figure as well. April saw 517,000 new homes sold compared to an expected 508,000.

- Capital goods orders, excluding air-related products, rose by 0.8 percent for the month of April, surpassing estimates of a 0.2 percent increase.

Weaknesses

- The yield on 10-year U.S. government notes fell 8.95 basis points to 2.12 percent this week. The retreat in risk-free assets is a concerning sign for global growth.

- Economic activity for the first quarter was revised down to a contraction of 0.7 percent from an advance of 0.2 percent. On a brighter note, this downward revision was less than what analysts were expecting.

- Cyclicals lagged this week due to a weakening of investor confidence in the global recovery. Energy was the worst performing sector, falling 2.06 percent this week.

Opportunities

- ISM manufacturing data will be released next week. Analysts are expecting a reading of 52 compared to a prior reading of 51.5. Should the manufacturing data meet or exceed these expectations, more cyclical areas could benefit.

- The Markit Manufacturing purchasing managers’ index (PMI) for the U.S. will be released next week as well. So far these readings have remained strong, implying that momentum is still strong.

- The eurozone’s M3 money supply grew faster than expected last month. M3 growth came in at 5.3 percent compared to an expected 4.9 percent. This reading is certainly positive given the monetary policy prevailing in the eurozone.
Threats

- Consumer sentiment in the United States fell to a six-month low for the month of May. As consumer confidence continues to weaken, retail stocks are vulnerable.

**Consumer Sentiment Weakens**

*University of Michigan Consumer Sentiment Index*

- The U.S. core personal consumption expenditure index rose less than expected from the fourth quarter
of 2014 to the first quarter of this year. The underwhelming inflation reading looks concerning.

The U.S. dollar gained again this week, further crushing the optimism created following the weeks of its sharp contraction. The U.S. Dollar Index rose 0.88 percent this week.

The Economy and Bond Market

Concerns over Greece’s ability to complete a deal and avert its exit from the eurozone continue to weigh on markets. Adding to investor uncertainty, several major economies including the U.S., Canada and Switzerland reported first-quarter contractions. Major global indices were mixed, with most giving up ground. Yields on 10-year U.S. Treasury notes fell for the week, ending at 2.12 percent.

Strengths

- The Consumer Confidence Index came in at 95.4 for May, up from 94.3 in April. Additionally, the University of Michigan consumer sentiment index increased to 90.7 in the final May report from 88.6 in the preliminary report.

- The pending home sales index, a forward-looking gauge of U.S. home purchases, rose for the fourth straight month in April by 3.4 percent and reached its highest level in nine years, the latest evidence of firming demand in the housing market. Economists expected pending home sales would rise 1 percent in April. Home sales typically close within a couple months after signing.
- New home sales added 6.8 percent month-over-month in April, increasing to 517,000 and slightly higher than expectations of 508,000. March was revised slightly higher to 484,000 from the initial 481,000.

**Weaknesses**

- The move up and down in long U.S. rates over the past five weeks has been an isolated event. Since late April, U.S. 10-year rates first increased 40 basis points and then declined 20 basis points. Over the same period, high-yield spreads have been essentially flat, investment-grade spreads have been flat and the stock market has also moved sideways.

The fact that the rate movement was so isolated shows that it was not driven by a change in the outlook for U.S. economic fundamentals. Instead, the fluctuation seen in May has been driven by changing expectations from the European Central Bank (ECB). This serves as a reminder that U.S. rates are not driven solely by U.S. economic data and Federal Reserve communication. The lesson from the past five weeks is that upside and downside surprises in Europe (including in Greece), along with how the market looks at the growth prospects there, can have a significant impact on how big the drag from Europe is on long rates in the U.S.

**Fluctuating U.S. Rates Continue to be Driven by ECB Expectations**

U.S. 10-Year Bond Yields

- U.S. first-quarter GDP was revised lower to -0.7 percent annualized, down from the first estimate of 0.2 percent. However, that was slightly better than the expectation of -0.9 percent. The result underscores the choppiness of an expansion that has struggled to lift off.

- The latest Chicago purchasing managers’ index (PMI) data from the Institute of Supply Management plunged to 46.2, coming in far below expectations of 53. This recent May data suggests that the strong bounce in business activity seen in April was a false signal and that sluggish activity has carried through to the second quarter.

**Opportunities**

- The release of consumer income and consumer spending data next week should help gauge the extent of the rebound in U.S. economic growth trends.
Wednesday's ECB policy announcement is unlikely to deliver any major policy changes and will provide another chance for Draghi to reiterate the ECB's quantitative easing (QE) commitment.

April's U.S. trade balance data, which will be released next week, is expected to shrink from the previous month, when the deficit widened to the highest level in more than six years.

** Threats **

- OPEC's upcoming meeting, scheduled for next Friday, is unlikely to deliver a change in production policy. Any surprises from the cartel could result in significant volatility in the financial markets, especially U.S. fixed income.

- ISM Manufacturing data will be released on Monday and if there is a miss on the expected reading of 52, this could exacerbate concerns stemming from this week's disappointing Chicago PMI data.

- A strong reading in inflation and payrolls data next week would lend support for the Federal Reserve's intention to lift rates later this year.

** Gold Market **

For the week, spot gold closed at $1,190.55 down $15.65 per ounce, or -1.30 percent. Gold stocks, as measured by the NYSE Arca Gold Miners Index, lost 1.34 percent. The U.S. Trade-Weighted Dollar Index gained 0.90 percent for the week.

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<th>Prior</th>
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<tbody>
<tr>
<td>May-29</td>
<td>U.S. Durable Goods Orders</td>
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<td>May-29</td>
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<td>May-31</td>
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<td>Jun-1</td>
<td>Germany CPI YoY</td>
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<td>0.50%</td>
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<tr>
<td>Jun-1</td>
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<td>Jun-2</td>
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<td>Jun-3</td>
<td>ECB Main Refinancing Rate</td>
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Strengths

- GDP shrank at a 0.7 percent annualized rate in the first quarter, lower than the previous 0.2 percent growth estimate. With the expansion stalled, the Federal Reserve may be inclined to hold interest rates at record lows longer to ensure sustained growth.

- Shanghai Gold Exchange withdrawal volume continues to be strong, coming in at 45.5 metric tonnes for the week ending May 15. According to Credit Suisse, the gold monetization plan in India may boost imports if banks pay investors interest on bullion deposits. The Austrian central bank announced it has adopted a new storage strategy whereby it will store 50 percent of its total gold reserves in Austria by 2020; it currently has only 17 percent within the country.

- UBS has slapped a buy recommendation on its entire gold coverage list with the exception of Newcrest and Independence Group. Balmoral announced it intersected 216 g/t of gold over 0.76 meters in a new discovery zone at its Fenelon and Jeremie Properties in Quebec. Roxgold announced it has received approval of its Mining Convention for the Yaramoko Gold Project from Burkina Faso’s Council of Ministers.

Weaknesses

- Gold faced a second weekly drop and investors cut holdings in bullion-backed funds to a four-month low amid speculation that U.S. interest rates will rise this year.

- Australia, an engine room of the decade-long global commodity boom, is forecasting a staggering 90 percent plunge in spending on projects, according to Mineweb. The fall in spending may portend more mergers in the future.

- The Democratic Republic of Congo’s Mines Minister announced that Ivanhoe would have to seek approval of its sale of copper assets to Zijin Mining. The issue, if not resolved quickly, threatens to cloud what is otherwise a landmark deal as the company pushes forward in developing a trio of major deposits.

Opportunities

- 2015 has been a busy year for acquisitions as the value of gold deals jumped more than 150 percent in the first quarter compared to a year earlier. Producers are seizing on a wave of mine sales and tumbling asset valuations to expand output or secure growth projects. This week Barrick Gold announced that it signed a strategic partnership with Zijin Mining Group which will take a stake in its Porgera Joint Venture gold mine in Papua New Guinea. Under the deal, Zijin will acquire 50 percent for $298 million in cash. It appears that Zijin received a very favorable price on this transaction as Barrick is hoping to bring in a partner on other South American assets which need a capital injection. Additionally, Evolution Mining has agreed to pay $550 million for Barrick’s Cowal mine in Australia’s New South Wales which went for considerably more than where we see the relative valuation of this asset.

- China has announced the establishment of a new international gold fund with over 60 countries as members. The fund, which expects to raise 100 billion yuan ($16 billion), will develop gold mining projects across the economic region known as the New Silk Road. The project will facilitate the central banks of member states to acquire gold for their reserves more easily.

- While the conventional wisdom holds that rising real rates would strengthen the dollar, which would in turn pressure gold, Cornerstone Macro believes otherwise. In a recent piece of research, it demonstrates how global growth determines the direction of the U.S. dollar, not the U.S. economy. Only when the U.S. economy briefly decouples, does the dollar strengthen, but this is rarer now as global trade is 60 percent of world GDP and emerging market currencies have a 69-percent weighting in the Trade-Weighted U.S. Dollar Index.
Threats

- South Africa gold mining groups face tough pay talks as they gear up for crucial wage negotiations in the coming weeks.

- Peter Major, mining specialist at Cadiz Corporate Solutions, announced that issues like government interference, the power and conflict between unions, and BEE legislation have all contributed to a situation where mine productivity in South Africa has declined significantly and speculated the gold industry could be wiped out by 2020 if the current direction persists.

- McKinsey & Company published a study showing that worldwide mining operations are as much as 28 percent less productive today than a decade ago. It attributes increases in capital expenditures and operating expenditures as having the greatest impact on productivity trends. Up-sizing projects by increasing the productive capacity of the project to shorten the mine life did not yield the higher IRR's (Internal Rate of Return) forecasted by the models.
Utilities were the best relative outperformer this week amid a shift toward risk-off sentiment with investors. The S&P 500 Utilities Index closed down 0.29 percent this week.

Chemicals also outperformed this week due to ethanol producers getting a boost from a new Environmental Protection Agency (EPA) mandate requiring a mean use of 13.4 billion gallons in 2015 and 14 billion gallons in 2016. The S&P Supercomposite Chemicals Index fell 0.59 percent this week.

Gold stocks outperformed on a relative basis this week as investors moved toward safer assets. The NYSE Arca Gold Miners Index fell 1.34 percent this week.

**Weaknesses**

- Drilling stocks underperformed despite a slight rise in the price of crude oil this week. This divergence between oil prices and the stocks is a concerning sign. The S&P Supercomposite Oil & Gas Drilling Index fell 5.88 percent this week.

- Coal producers are suffering as investors see the need for significant supply cuts. The Market Vectors Global Coal Index fell 5.06 percent this week.

- Metals and mining stocks underperformed this week amid a concern of a global economic slowdown. The S&P/TSX Diversified Metals and Mining Index fell 2.65 percent this week.

**Opportunities**

- The oil rig count continued to decline this week, falling to fresh 52 week lows. The continued decline in oil rigs is positive for oil leveraged stocks.

- Iron ore has reversed course and is showing signs of increasing momentum. Reports indicate that stockpiles in China are heading for a record monthly contraction.

- South Korea is planning to boost its metals purchases by 58 percent this year on fears that a U.S. recovery will drive prices higher. Clearly this would benefit metals and mining stocks.

**Threats**

- The U.S. dollar rose again this week, marking it the second weekly increase. The currency’s surprising bounce is concerning to those who predicted that its rally was overdone. It seems the strong dollar could be with us into the near future.

- West Texas Intermediate crude is unable to remain elevated above $60 a barrel. The rally has lost most, if not all, of its steam over the last few weeks.
Copperto traders are bearish on the industrial metal this week. Eight out of 12 analysts tracked by Bloomberg are maintaining a negative outlook.

Emerging Markets

It was one of the weakest weeks and months we have seen for emerging markets in a while. Currencies were particularly weak as Federal Reserve Chair Janet Yellen stated that U.S. rates should rise sometime this year. Furthermore, equity risk premiums are increasing, pushing down asset prices, as political uncertainty in many emerging European economies becomes a larger concern for investors.

Strengths

- Hungary’s central bank lowered its policy rate 15 basis points to a record low of 1.65 percent this week. The latest easing from the central bank is a response to persistently weak inflation in the economy. What’s more, the central bank said it is prepared to ease further in order to combat disinflation. While the country’s currency depreciated relative to the dollar, Hungarian equities responded positively to the policy move, with the Budapest Stock Exchange Index rising 0.85 percent this week.
Greek equities were relative outperformers this week, with a significant amount of the outperformance surprisingly coming from two banks, Piraeus Bank SA and Eurobank Ergasias SA, which beat analyst earnings estimates for the first quarter. The Athens Stock Exchange General Index fell 1.77 percent.

Despite the weak performance in emerging markets this week, funds continue to flow into many emerging markets. Greece, Turkey, and Czech Republic all reported positive fund flows for the week.

**Weaknesses**

- It is safe to say the ruble rally is done as the crude rally stalls and the Russian central bank buys dollars. Reports indicate the central bank is prepared to buy as much as $200 million a day in order to replenish the country’s reserves, although many believe the move is aimed at putting a cap on the ruble’s rapid appreciation. On the macro front, economic fundamentals in Russia remain considerably weak as the worst is yet to come. The ruble and the MICEX Index fell 4.69 and 3.39 percent, respectively.
This past weekend, Poland surprised everyone when it elected Andrzej Duda over incumbent President Bronislaw Komorowski. Markets were hoping for the opposite to occur, which explains the selloff in Polish markets this week. On a positive note, the new president elect softened his policy stance on the country’s retirement age, symbolizing a willingness to meet in the middle. The WIG20 Index declined 3.14 percent this week.

Turkish markets faltered this week after the most recent polls showed the ruling AKP party is less likely than before to secure the number of seats needed to avoid forming a coalition government. Investors fear that if a coalition government must be formed a political gridlock will follow, preventing any of the much needed structural reforms from occurring. The Borsa Istanbul 100 Index fell 3.29 percent this week.

**Opportunities**

- Greek banks, which remain exceptionally cheap, received a positive piece of news from various press reports this week. Regulations concerning deferred tax credits, on which Greek banks are heavily dependent, will remain unchanged until at least 2016 due to strong lobbying from Italy. If these reports are indeed confirmed, it would be a much needed win for the struggling banks.

- Thursday’s sizable correction in the Chinese A-Share market might have been driven by profit taking after an eight-day-straight 1%-percent advance as global investors reallocated $4.6 billion for the week ending Wednesday to Chinese A-Shares in anticipation of FTSE index inclusion. Additionally, one cannot rule out the likelihood that Chinese policymakers intend to “tame” the market before the next reserve ratio cut, probably soon after the final May PMI release early next week sends the stocks even higher. Any correction in the ongoing Chinese bull market, against no evidence of government policy change, should be deemed as an accumulation opportunity.
FTSE Group announced it will include China A Shares in two new emerging market indexes. The move highlights increasing demand for the mainland market shares, indicating strong momentum moving forward.

**Threats**

- The upcoming Turkish elections present a threat to the market’s future. With the most preferable scenario (the AKP party retains power) becoming less likely as time moves forward, volatility in the equity and foreign exchange markets should increase.

- Greece’s economic sentiment index (ESI) reached its lowest level since December 2013. Clearly this weakness is the product of the uncertainty surrounding Greece’s negotiations with its creditors. Investors are anxiously holding their breath as the deadline for June International Monetary Fund (IMF) repayments creeps closer.

- Macau’s first-quarter GDP shrank 24.5 percent year-over-year, decelerating from a 17.2 percent contraction in the fourth quarter of 2014, reflecting a secular decline of the city’s casino gaming business affected by China’s incessant anti-corruption campaign. With little sign of reversal in Chinese authorities’ effort to crack down on various corruption activities, especially at the local government level, to earn political goodwill from its increasingly vocal middle class, it is difficult to envision that the bear market in Macau casino stocks will be over anytime soon.
**Leaders and Laggards**

**Weekly Performance**

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<th>Weekly Change($)</th>
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<tbody>
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<tr>
<td>S&amp;P 500</td>
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<tr>
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<td>Korean KOSPI Index</td>
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<td>XAU</td>
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<td>Gold Futures</td>
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**Monthly Performance**

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<td>S&amp;P Energy</td>
<td>571.41</td>
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*Although short-term bonds might not be as sexy as common stock in biotech firms or airlines, they play an important role in any serious investor’s portfolio.*
S&P Basic Materials 316.72 -1.67 -0.52%
Nasdaq 5,070.03 +46.38 +0.92%
Russell 2000 1,246.53 -0.42 -0.03%
Hang Seng Composite Index 3,871.14 -125.72 -3.15%
Korean KOSPI Index 2,114.80 -27.83 -1.30%
S&P/TSX Canadian Gold Index 165.42 -4.59 -2.70%
XAU 69.70 -5.01 -6.71%
Gold Futures 1,190.60 -20.40 -1.68%
Oil Futures 60.26 +1.68 +2.87%
Natural Gas Futures 2.64 +0.04 +1.34%
10-Yr Treasury Bond 2.12 +0.08 +4.02%

Quarterly Performance

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<th>Quarterly Change($)</th>
<th>Quarterly Change(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DJIA</td>
<td>18,010.68</td>
<td>-122.02</td>
<td>-0.67%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>2,107.39</td>
<td>+2.89</td>
<td>+0.14%</td>
</tr>
<tr>
<td>S&amp;P Energy</td>
<td>571.41</td>
<td>-6.10</td>
<td>-1.06%</td>
</tr>
<tr>
<td>S&amp;P Basic Materials</td>
<td>316.72</td>
<td>-5.89</td>
<td>-1.83%</td>
</tr>
<tr>
<td>Nasdaq</td>
<td>5,070.03</td>
<td>+106.50</td>
<td>+2.15%</td>
</tr>
<tr>
<td>Russell 2000</td>
<td>1,246.53</td>
<td>+13.16</td>
<td>+1.07%</td>
</tr>
<tr>
<td>Hang Seng Composite Index</td>
<td>3,871.14</td>
<td>+476.42</td>
<td>+14.03%</td>
</tr>
<tr>
<td>Korean KOSPI Index</td>
<td>2,114.80</td>
<td>+129.00</td>
<td>+6.50%</td>
</tr>
<tr>
<td>S&amp;P/TSX Canadian Gold Index</td>
<td>165.42</td>
<td>-16.59</td>
<td>-9.11%</td>
</tr>
<tr>
<td>XAU</td>
<td>69.70</td>
<td>-7.24</td>
<td>-9.41%</td>
</tr>
<tr>
<td>Gold Futures</td>
<td>1,190.60</td>
<td>-24.10</td>
<td>-1.98%</td>
</tr>
<tr>
<td>Oil Futures</td>
<td>60.26</td>
<td>+10.50</td>
<td>+21.10%</td>
</tr>
<tr>
<td>Natural Gas Futures</td>
<td>2.64</td>
<td>-0.09</td>
<td>-3.40%</td>
</tr>
<tr>
<td>10-Yr Treasury Bond</td>
<td>2.12</td>
<td>+0.13</td>
<td>+6.42%</td>
</tr>
</tbody>
</table>

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 3/31/2015:
The Apple, Inc.: All American Equity Fund, 4.03%; Holmes Macro Trends Fund, 5.34%
Entergy Corp.: All American Equity Fund, 1.04%
AT&T, Inc.: All American Equity Fund, 1.09%
CenturyLink, Inc.: All American Equity Fund, 1.01%
American Airlines Group, Inc.: 0.0%
Prudential Financial, Inc.: All American Equity Fund, 1.11%
MetLife, Inc.: All American Equity Fund, 1.17%
Hewlett-Packard Co.: All American Equity Fund, 0.81%
Valero Energy Corp.: All American Equity Fund, 1.50%; Global Resources Fund, 0.43%
United Continental Holdings, Inc.: 0.0%
Balmoral Resources Ltd: World Precious Minerals Fund, 1.35%
Roxgold, Inc.: World Precious Minerals Fund, 1.63%
Barrick Gold Corp.: Gold and Precious Metals Fund, 0.06%; World Precious Minerals Fund, 0.06%
Zijin Mining Group Co. Ltd: China Region Fund, 0.57%
Evolution Mining: 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 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 Core Personal Consumption Expenditure Index tracks overall price changes for goods and services purchased by consumers.
The U.S. Dollar Index is a measure of the value of the U.S. dollar relative to other currencies.
The Consumer Confidence Index (CCI) is an indicator which measures consumer confidence in the Economy.
The University of Michigan Consumer Sentiment Index is comprised of measures of attitudes toward personal finances, general business conditions, and market conditions or prices.
The S&P Supercomposite Chemicals 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.
The Market Vectors Global Coal Index covers the largest and most liquid coal companies globally which derive at least 50% of their revenues from coal production.
The 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 Budapest Stock Exchange Index is a capitalization-weighted index adjusted for free float. The index tracks the daily price-only performance of large, actively traded shares on the Budapest Stock Exchange.
The Athens Stock Exchange General Index is a capitalization-weighted index of Greek stocks listed on the Athens 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 WIG20 Index is a modified capitalization-weighted index of 20 Polish stocks which are listed on the main market. The index is the underlying instrument for futures transactions listed on the Warsaw Stock Exchange.
The Borsa Istanbul 100 Index is a capitalization-weighted index composed of National Market companies except investment trusts.
The Shanghai Composite Index (SSE) is an index of all stocks that trade on the Shanghai Stock Exchange.