USFunds.com • **September 25, 2015**

U.S. Global Investors
Investor Alert

Podcast RSS Subscribe on iTunes PDF Version EMAIL TO A FRIEND

Table of Contents

How Will These Leaders of 4 Billion People Change the World?

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

This week the U.S. played host to three prominent and illustrious leaders to billions of people: Chinese President Xi Jinping, Indian Prime Minister Narendra Modi and Pope Francis. Among them, they lead—either politically or spiritually—nearly 4 billion people worldwide, more than half of everyone living on the planet right now.

The effect of their visits cannot be overstated. I was attending an ETF conference in New York City, where the arrival of the populist Francis, hugely popular and revered among more than just Catholics for his humility and inclusiveness, brought the already-clogged city streets to a veritable standstill. So stacked were the cars and trucks as a result of Pope Mania that I was forced to cancel scheduled interviews on CNBC and Bloomberg. New York Police Department Commissioner Bill Bratton said that the pontiff's arrival in the Big Apple during the United Nations General Assembly, when 90 percent of the world leaders were in the city at the same time, was the largest security challenge the department and the city had ever faced.

I have immense respect for his Holy One who embraces change, both within the Vatican and globally, and for the Jesuit tradition of education and ministry. Pope Francis, for many people, including me, is a provocative figure. In his speech to the United Nations today he said that economic progress can be achieved through "the legitimate redistribution of economic benefits by the state." I question his economic logic while admiring his caring heart and good intentions. Far-reaching progress can best be achieved through development not redistribution. The secular proverb "Give a man a fish and he'll eat for a day, but teach him to fish and he'll eat for a lifetime" comes to my mind. Certainly the pontiff's aspiration to feed the world is honorable, but the people who take the risk to plan the seeds and work hard to harvest the crops are not to blame for the hungers that exist. America is the most charitable nation on earth and our focus for increasing prosperity should be on helping people to fish and farm for a lifetime of financial independence.

Perhaps not as wildly anticipated, but no less important, were stateside visits from the heads of the second- and seventh-largest economies in the world, China and India.

Mr. Xi: Trust Me, All's Well

In his first stateside visit, President Xi Jinping addressed approximately 700 American businesspeople in Seattle this week, during which he, according to Foreign Policy magazine, touched on "the usual promises to stay the course on market reforms, the insistence of China's status as a developing country" and "the plea for mutual 'deep' cultural understanding," among other promises.

Mr. Xi also reassured his audience to worry not about the Chinese stock market, which I've written frequently about. He defended the intervention his government has made, arguing that the government has stabilized further deterioration and contained investor panic.

Likewise, he pledged to work with the U.S. to curb additional cybersecurity breaches such as the kind that struck Sony Pictures back in November 2014.

American Business Leaders Expect Massive Growth in India

This week marks Indian Prime Minister Narendra Modi's second visit to the U.S., the first time being in October 2014 when he spoke at Madison Square Gardens in a rousing, rock-star reception.

As is the case with most politicians from whom much is expected, Modi's star has dulled somewhat since then. Many business leaders are starting to grow impatient about the slowness of eliminating investment hurdles.

But the promise he brings of a modern India, with electricity and Internet access for all 1.2 billion Indians, still remains more than just a dream.

U.S. business leaders seek to capitalize on this growth.

Let's be clear, though: India still has a lot of catching up to do. Morgan Stanley estimates that the country is at least seven years behind China when it comes to Internet penetration and online shopping. In 2014, India had about 243 million active Internet users, or about 19 percent of its population. In the same year, China had some 641 million users, or nearly half of its population, according to Internet Live Stats.

Quite contradictorily, though, Facebook users in India have skyrocketed to 100 million active monthly accounts, which represent a larger presence on the social media platform than in the U.S, according to Tech2. This means there's huge upside indeed.

Facebook users in India have skyrocketed to 100 million active monthly accounts, more than the U.S.

Photo Source: Maria Elena, flickr

Modi: Tech-in-Chief

Narendra Modi is one of the most tech-savvy world leaders, a characteristic he wants to encourage his fellow Indians to embrace. He's a prolific user of Twitter, followed by a staggering 15.1 million people. By comparison, President Barack Obama's official presidential Twitter handle, @POTUS, has 4.38 million followers and Pope Francis, @Pontifex, has 7.35 million followers.

It's no wonder, then, that Modi sought an audience with top tech industry leaders such as Facebook founder and CEO Mark Zuckerberg, Apple CEO Tim Cook and Tesla Motors CEO Elon Musk—some of the same figures Mr. Xi met with earlier in the week. All of them have expressed interest in diverting more resources to India, where the next huge surge in Internet usage is expected to take place. Retail giant Amazon, for instance, plans to spend $2 billion to expand its presence in India. Facebook will offer a free Internet service through its Internet.org platform.

In a YouTube video, Sundar Pichai, Google's current Product Chief and its next CEO, welcomed Modi on his visit to immigrant-friendly Silicon Valley. Born in India himself, Pichai highlighted the strong, longstanding partnership between Indian and America's major tech hub, stating:

> *The bond between India and Silicon Valley is strong. India's long been an exporter or talented tech companies... The products by Indian graduates have helped revolutionize the world, but it is India that's now undergoing its own revolution... Prime Minister Modi's digital India vision is central to the revolution. It focused on connecting the 1.2 billion people in India.*

You can watch Pichai's full comments below.

In his personal tweets, Modi reassures followers that the goal of his visit is to strengthen business relations between the U.S. and India and to open his country up to further investment opportunities. This is a persistent challenge, as India is widely seen as one of the more difficult countries to conduct business in.

Modi has repeatedly pledged to speed up efforts to improve his country's business climate for foreign investors.

In the picture above, you can see a seated Modi surrounded by powerful Fortune 500 executives such as Citigroup's Michael O'Neill, PepsiCo's Indra Nooyi, IBM's Ginni Rometty, Lockheed Martin's Marilyn Hewson, Boeing's Bertrand-Marc Allen and many more.

During his visit, Modi approved a $3 billion deal with Boeing—which we own in both our All American Equity Fund (GBTFX) and Holmes Macro Trends Fund (MEGAX)—a purchase that's eclipsed by Xi Jinping's plan to buy 300 Boeing jets worth $38 billion, not to mention an arrangement for an assembly plant to be built in China.

Chinese President Xi Jinping just approved the purchase of $38 billion worth of Boeing jets.

In our quarterly earnings webcast, I mentioned the importance of staying abreast of government policy changes and the latest purchasing manager's index (PMI) numbers. While India's August PMI reading holds fairly steady at 52.3, indicating manufacturing expansion, China's still remains in contraction territory at 47.3.

Both government policy reform and PMIs help our investment team inform its strategies. Government policy, as led by the G20 countries, has been focused largely on synchronized global taxation and regulation since 2008. These are not great precursors for commodity demand.

When we can return to a point where governments are more focused on fiscal policies, reducing taxes, streamlining regulations and unleashing capital, I think that that would be a tipping point from a big macro sector theme.

So shorter term, we'll be looking for the change in global PMIs, showing us that global synchronized growth. The "magic" number is when PMI is above 50, and the momentum starts when the one month is above the three months. This is the positive, constructive sign that demand for commodities is picking up, and we'll be looking for it.

Index Summary

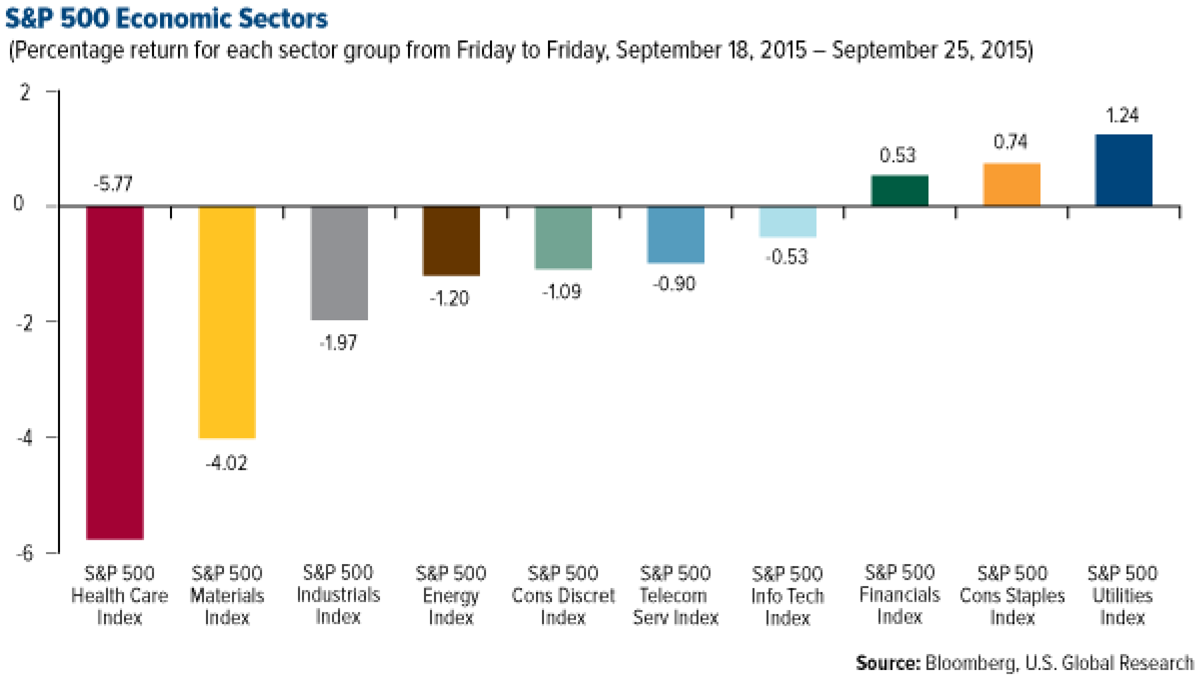
- The major market indices finished down this week. The Dow Jones Industrial Average lost 0.43percent. The S&P 500 Stock Index declined 1.36 percent, while the Nasdaq Composite slid 2.92 percent. The Russell 2000 small capitalization index lost 3.49 percent this week.
- The Hang Seng Composite lost 3.37 percent this week; while Taiwan was down 3.90 percent and the

KOSPI slipped 2.66 percent.

- The 10-year Treasury bond yield rose 3 basis points to 2.17 percent.

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

Domestic Equity Market



click to enlarge

Strengths

- In primarily a down week for U.S. equities, utilities was the best performing sector. The S&P 500 Utilities Index rose 1.24 percent this week.
- The U.S. economy grew at an annualized rate of 3.9 percent in the second quarter according to the third reading released this week. The estimate is 0.2 percentage points higher than the prior estimate.
- The final release of the University of Michigan Consumer Sentiment beat expectations. The index fell to 87.2 rather than the 86.5 estimate.

Weaknesses

- Healthcare was the worst performing sector in the S&P 500 this week as Hilary Clinton promised to take on the industry's price gouging tactics. The S&P 500 Health Care Index fell 5.77 percent this week.
- Durable goods orders (excluding transportation) came in flat for the month of August. The street expected slight growth of 0.1 percent.
- Materials continues to be a very depressed sector as investors remain concerned that a global growth slowdown is occurring.

Opportunities

- Core consumer prices rose by more than expected for the second quarter according to the third estimates released this week. The U.S. GDP Personal Consumption Core Price Index rose by 1.9 percent.
- Mortgage applications jumped last week by 13.9 percent while new home sales beat expectations. With the era of low rates persisting, the housing industry should continue to benefit.
- The final reading for the Markit U.S. Manufacturing PMI for the month of September is expected to remain elevated at 53, signaling an expansion.

Threats

- The Conference Board's Leading Index fell to 0.1 percent for the month of August, underwhelming market expectations. On a positive note, this reading was stronger than the prior month.
- The Markit U.S. Services PMI fell to 55.6 from 56.1 for the month of September, according to a preliminary reading.
- Factory orders are forecasted to have contracted by 1.2 percent during the month of August.

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

The Economy and Bond Market

Major global stock indices lost ground for the week as Asian economic reports indicated further weakness. Eurozone data were more upbeat. The VIX volatility gauge ranged from 20 to 25 during the week. The 10-year U.S. Treasury note yield rose to close at 2.17 percent Friday as investors moved to riskier assets. U.S. West Texas Intermediate and Brent crude oil futures traded around $45 and $48 per barrel, respectively, on Friday.

Strengths

- Second-quarter U.S. GDP growth was revised from 3.7 percent to a final annualized rate of 3.9 percent. Larger gains in consumer spending as well as commercial and residential construction drove the upward revision.
- U.S. sales of new single-family homes jumped 5.7 percent in August to an annual pace of 552,000, the highest level since 2008 and a much larger gain than expected. Sales were 21.6 percent higher than the previous year.
- Markit's preliminary U.S. manufacturing purchasing managers' index (PMI) was unchanged in September from August's reading of 53.0, still reflecting expansion but at the slowest pace since 2013.

Weaknesses

- Overall U.S. durable goods orders fell 2.0 percent in August, skewed down by a sharp drop in volatile civilian aircraft orders. Capital goods orders excluding military spending and aircraft, a closely watched gauge of business spending plans, fell 0.2 percent in August, its first decline in three months.
- U.S. home resales fell 4.8 percent to an annual rate of 5.31 million units in August, a steeper drop than expected, but still 6.2 percent higher than a year earlier. Rising prices have limited affordability. The two regions experiencing the fastest price rises, the South and the West, saw the sharpest drop in sales.
- The University of Michigan consumer sentiment index fell to 87.2 in September — the lowest reading since October 2014 — from 91.9 in August.

Opportunities

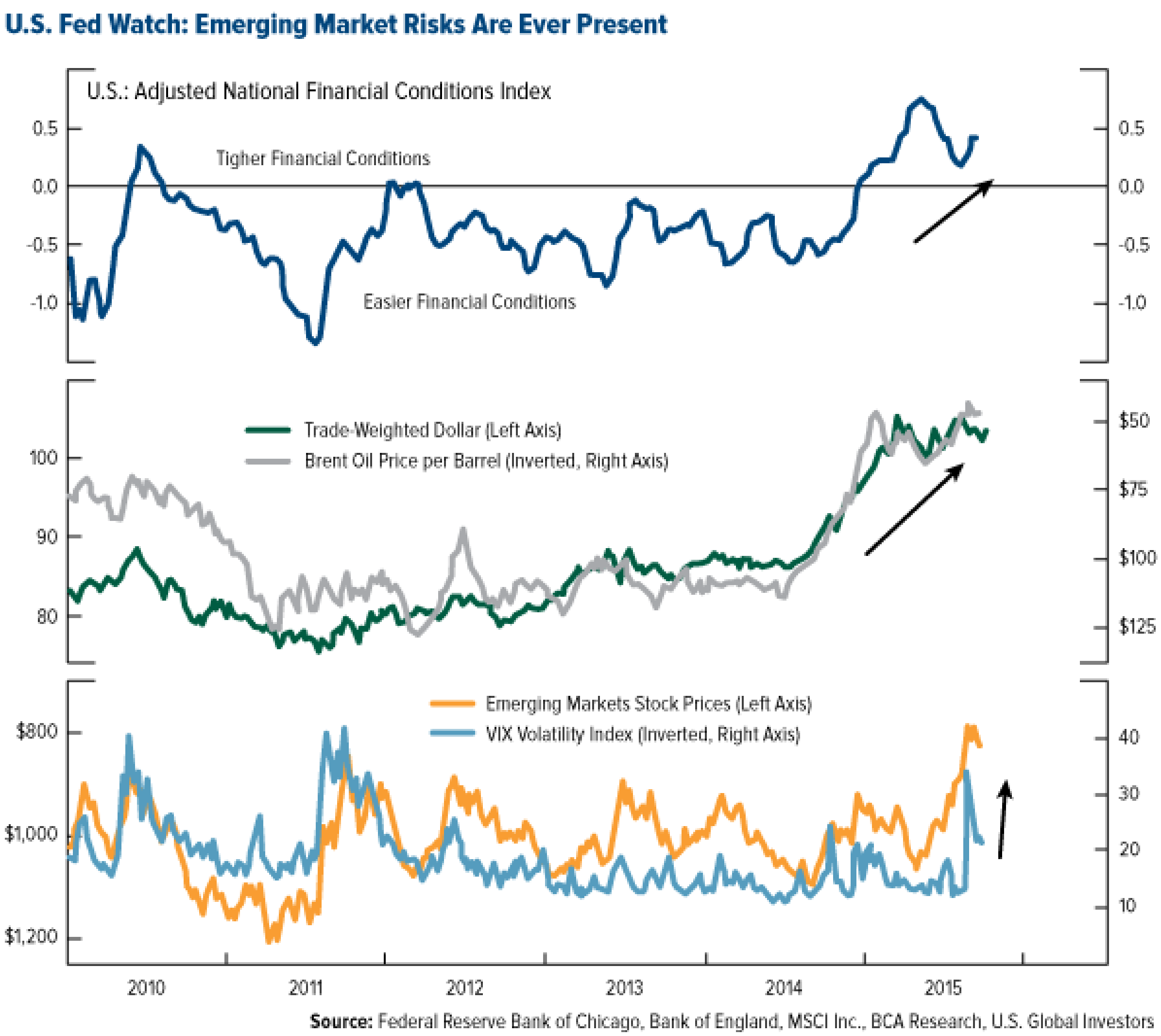
- The U.S. payroll report will be released Friday. The unemployment rate is likely to remain between 5.1 and 5.3 percent, levels consistent with a strengthening labor market.
- The Fed's dovish shift should make it harder for the first rate hike to take place, particularly if U.S.

economic data continue to surprise to the downside on the back of the contraction in overall corporate sector profits. The latter reflect imported deflationary pressures from weak developing economies. These conditions are conducive to the outperformance of bonds over stocks, a reliable indication that the utilities sector will outperform.

- Near-generational lows in mortgage rates and rising rents are boosting the allure of owning vs. renting a home. That is driving buyers back into the market. The Fed Senior Loan Officer Survey revealed that U.S. banks remain willing to provide credit across all loan categories, as lending standards remain easy. Housing affordability should continue to improve on the back of declining mortgage rates.

Threats

- Concerns over global financial and economic developments were cited by the Fed as a primary reason to delay a liftoff in September. By tying their monetary policy decision explicitly to global influences on U.S. growth and inflation, the Fed has implied that it is unlikely to hit its growth and inflation goals without some improvement from abroad. That means that economic conditions in China and the rest of the emerging world will be under even greater scrutiny than they have been over the past few months. BCA's Emerging Markets strategists remain pessimistic on near-term growth prospects in emerging markets. On the inflation front, the rates of change of the U.S. dollar and oil prices are stabilizing at low levels, and headline inflation is probably due for a short-term bounce. These two competing forces will keep the timing of the Fed's next rate move highly uncertain for the rest of the year.



click to enlarge

- The ISM Manufacturing Survey will be released Thursday. Given the weak durable goods orders lately, the survey could very well disappoint.

- The Chicago PMI is released Wednesday and will likely continue its downward trend, a result of economic weakness abroad and the headwinds from a strong dollar.

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

Gold Market

For the week, spot gold closed at $1,145.89 up $6.87 per ounce, or 0.60 percent. Gold stocks, as measured by the NYSE Arca Gold Miners Index, lost 3.13 percent. The U.S. Trade-Weighted Dollar Index gained 1.35 percent for the week. Junior miners outperformed seniors for the week as the GDM Index lost 3.13 percent, more than the S&P/TSX Venture Index's loss of 1.53%.

Date	Event	Survey	Actual	Prior
Sep -22	CH Caixin China PMI Mfg	47.5	47	47.3
Sep -24	HK Exports YoY	-1.70%	-6.10%	-1.60%
Sep -24	US Initial Jobless Claims	272K	267K	264K
Sep -24	US Durable Goods Orders	-2.30%	-2.00%	2.00%
Sep -24	US New Home Sales	515K	552K	507K
Sep -25	US GDP Annualized QoQ	3.70%	3.90%	3.70%
Sep -29	GE CPI YoY	0.10%	--	0.20%
Sep -29	US Consumer Confidence Index	96	--	101.5
Sep -30	EC CPI Core YoY	0.90%	--	0.90%
Sep -30	US ADP Employment Change	190K	--	190K
Sep -30	CH Caixin China PMI Mfg	47	--	47
Oct -1	US Initial Jobless Claims	272K	--	267K
Oct -1	US ISM Manufacturing	50.5	--	51.1
Oct -1	US Change in Nonfarm Payrolls	200K	--	173K

Strengths

- Palladium was the best performing precious metal, rising 9.46 percent for the week. Volkswagen's emissions scandal opens up the possibility that buyers may turn towards gasoline cars which use more palladium.

- Gold traders are bullish for a second week on the view that the Fed is to remain dovish. Further, the put-to-call ratio, which represents the number of bearish options trading, compared with bullish ones, for SPDR Gold Shares is at the lowest since 2012. This is seen as a signal bears may be losing their stranglehold on the market.
- China's net imports of gold from Hong Kong increased last month as the surprise devaluation of the yuan and inventory building before the peak consumption season spurred buying. Net purchases rose to 54.7 metric tons from 40.7 tons in July and 25.6 tons a year earlier. Gold purchases in India are poised to climb in the final quarter to the highest level since 2012, adding to signs that lower prices are spurring a resurgence of buying in Asia. Demand may jump as much as 15 percent from a year earlier, according to a director with the All India Gems & Jewellery Trade Federation.

Weaknesses

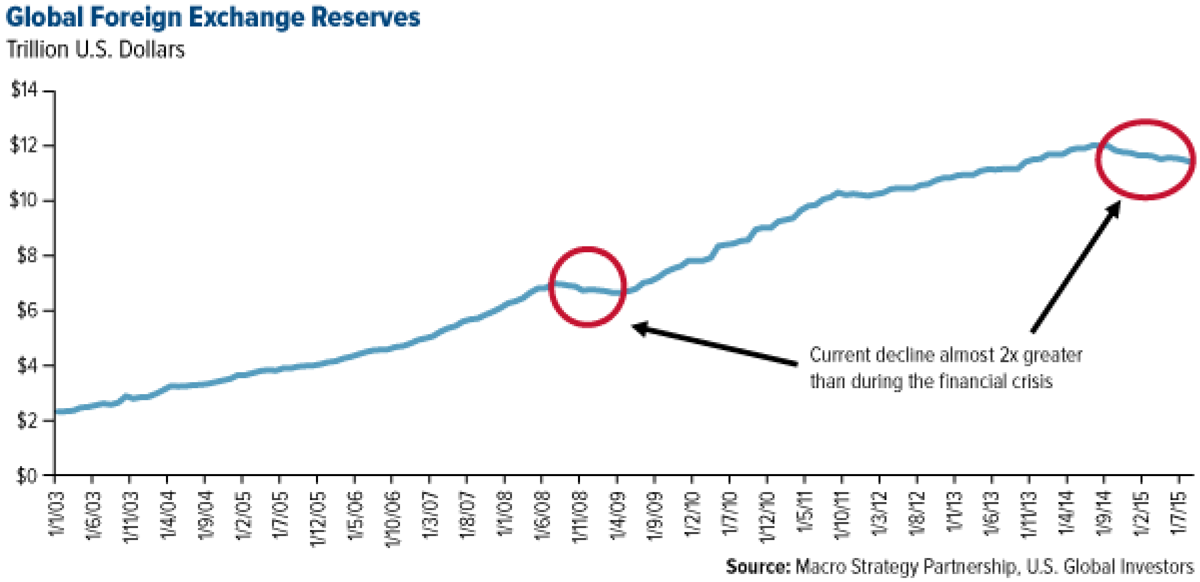
- Platinum was the worst performing precious metal, falling 3.36 percent for the week on concern that there could be a substantial drop in platinum usage if consumers buy fewer diesel cars as a result of the Volkswagen scandal. Share prices of South Africa's platinum miners fell 16 percent for the week on average.
- Fed Chair Yellen dealt a blow to gold bulls who had pushed prices to the highest in a month. On Thursday after the market close, she said the Fed is on track to raise interest rates this year. Investors had boosted holdings in gold-backed funds to the highest in three weeks.
- President Jacob Zuma surprised everyone this week when he redeployed the existing minister of the Department of Mineral Resources, Ngoako Ramathodi, to the role of Minister in the Department of Public Services and Administration. In his place, Zuma appointed Mosebenzi Zwane. The appointment of Zwane comes as a surprise to the industry and organized labor based on his lack of experience in mining, especially when compared to the current deputy minister.

Opportunities

- Morgan Stanley, Bank of America, and Citigroup are among banks that have lowered their dollar forecasts against the euro during the past two weeks. The U.S. Dollar Index has gained 0.9 percent this quarter, compared with estimates for a 2.5 percent increase. UBS also came out with a report in which they cite excessive optimism on the dollar. Their conclusion is that we could be on the cusp of a weakening dollar trend.
- A new report by UBS highlights their constructive stance on gold, especially over the longer term. The report talks about relevant factors that investors should start to consider today, especially in light of the dovish Federal Open Market Committee (FOMC) outcome. One of those factors is the possibility that U.S. equilibrium real yields settle lower versus previous cycles and versus current market expectations. That could suggest a better environment for gold than what gold market participants are currently anticipating.
- Jeff Christian, founder of CPM Group, announced at the Denver Gold Show that he is bullish on gold, albeit not seeing a significant rise until perhaps 2018. CPM Group analysis sees global new mined gold output continuing to rise by small amounts until 2017. Subsequent to 2017, the dip in supply will allow fundamentals to kick in, pushing the price of gold substantially higher.

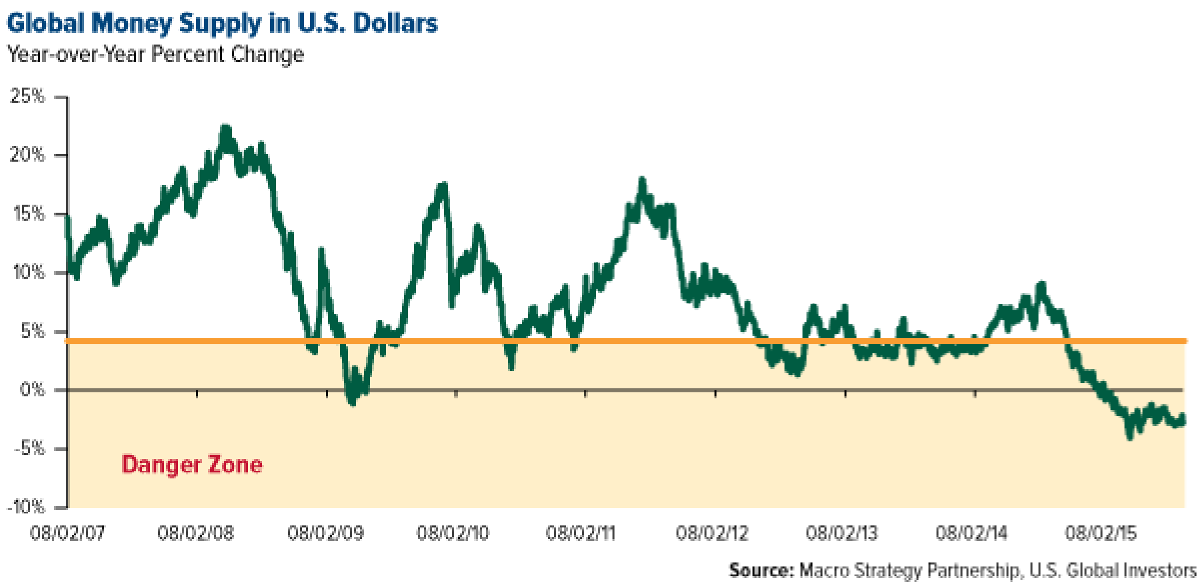
Threats

- According to a recent report "Unwinding the Great Liquidity Cycle" by Julien Garran from Macro Strategy Partnership, the decline in global foreign exchange reserves at central banks is today almost twice as aggressive as during the Great Recession. The implications are a reversing bid for U.S. treasuries and credit when the Fed does not want interest rates to rise aggressively should there be a policy mistake.



click to enlarge

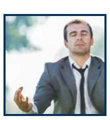
- In that same report, Garran also takes a look at the global money supply and concludes that it doesn't shrink often, but when it does, as we see today and in the prior global financial crises, it spells trouble for global risk assets. That raises the possibility that treasuries have been such a beneficiary of the great liquidity cycle that they have lost their ability to rally during a deflationary bust. After all the Fed has stopped buying, banks are being forced to reduce repo purchases with more regulation, and foreign central banks are net sellers. Garran recommends that investors be positioned short U.S. equity indices, long cash and long gold & gold equities.

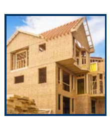


click to enlarge

- A worrisome trend coming from presenters at this year's Denver Gold Show is the slashing of exploration budgets, particularly by junior miners. This has implications for gold production sustainability given long discovery-to-production cycles, currently pegged at 27 years and growing due to an increasing regulatory-social-environmental gauntlet.

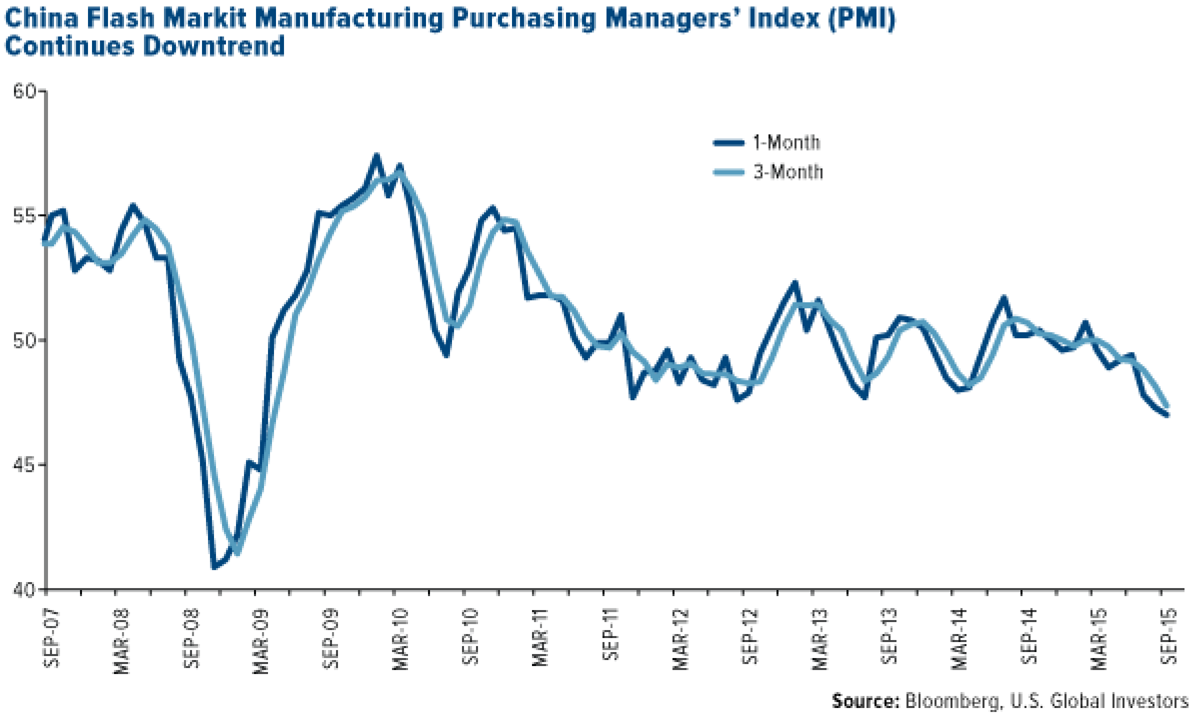
Frank Talk Insight for Investors


September 23, 2015
Here's the World's Most "Calming"


September 21, 2015
Here Are Two Ways Investors Can Take Advantage of the Fed's Uncertainty


September 15, 2015
New Study: We're Nowhere Near Peak Coal Use in China and India

Energy and Natural Resources Market



click to enlarge

Strengths

- Oil refining companies rebounded from the prior week's decline as the benchmark refining spread between the price of crude oil and related products (gasoline and diesel) recovered from steep seasonal losses. The S&P 500 Oil Refining Index increased 2 percent on the week.
- Investors flocked to the relative safety of utilities during a turbulent week of trading in the broader market. The S&P 500 Utilities Index increased 1.3 percent during the week.
- The dry bulk shipping stocks outperformed most natural resource sub-sectors following recent data highlighting improving iron ore inventories in China. The Bloomberg Dry Ships Index outperformed the S&P Global Natural Resources Index by 220 basis points this week.

Weaknesses

- Base metals stocks declined again this week on further concern over China's economic growth outlook. The S&P/TSX Capped Diversified Metals and Mining Index fell 14.8 percent this week.
- Crude oil and tanker stocks retraced the prior week's gains as inventory levels in the Gulf Coast declined despite ongoing refinery maintenance. The Bloomberg Tanker Index fell 8.2 percent this week.
- Over supply, soft pricing and stretched balance sheets pressured coal stocks this week. The Market Vectors Global Coal Index dropped 8 percent.

Opportunities

- China's manufacturing purchasing managers' index (PMI) is scheduled for release next week, which could bode well for commodities given already excessively high negative sentiment towards the country's growth prospects.

- The USDA corn crop progress report is schedule to be released next week, which could be supportive for fertilizer pricing following a period of negative data points for potash and nitrogen pricing.
- Copper supplies in China's bonded warehouses fell to 350,000 metric tons, the lowest point since 2012. Weaker supply should help provide some support for copper prices.

Threats

- Due to the Volkswagen AG scandal this week, the EPA is beefing up its regulations for cars already on the road. VW's actions have already affected other car makers worldwide.
- Core inflation grew more than expected in the United States for the second quarter according the most recent PCE Core reading. Higher prices could push the fed to raise rates soon, which would negatively impact emerging markets and commodities.
- With the congressional budget battle around the corner, Democrats are looking to do away with certain oil and gas tax provisions. This would negatively impact various oil and gas producers.

China Region Fund - USCOX

China Region

Strengths

- In what was a gloomy weak for emerging markets, Chinese equities were the best relative outperformers as President's Xi's visit to the United States was positively welcomed by markets. The Shanghai Stock Exchange Composite Index closed down only 0.18 percent this week.
- Defensive areas outperformed this week, with telecommunication services being the best performing sector. Investors still remain very cautious when it comes to emerging markets, which explains the recent outperformance of defensive areas. The MSCI Asia Ex. Japan Telecommunication Services Index fell 1.42 percent this week.
- The Chinese renminbi was the best performing currency in the region this week, given its close link the dollar. However, investors do remain concerned the government may intervene once more and further devalue the renminbi. The Chinese renminbi closed down 0.16 percent.

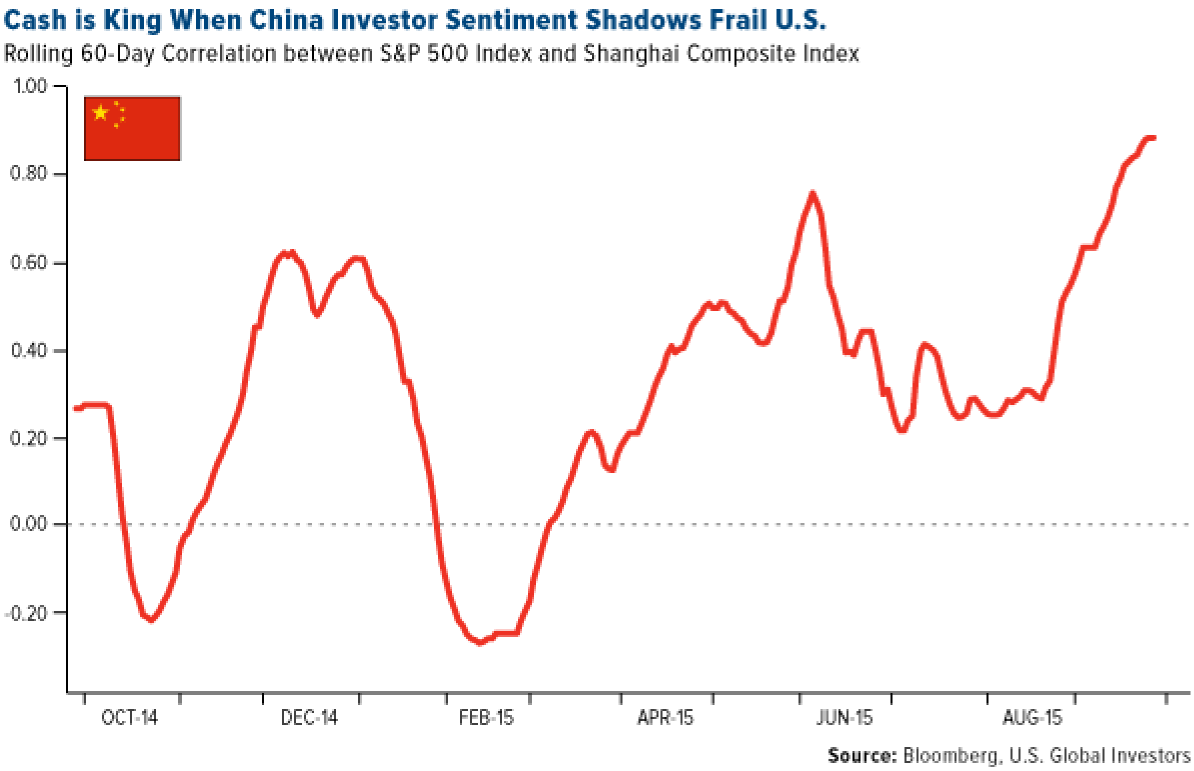
Weaknesses

- Indonesian equities were the worst performers in the region this week as growth outlooks continue to worsen and investors prepare for the Fed to raise interest rates. The Jakarta Stock Exchange Composite Index fell 3.90 percent this week.
- Energy was the worst performing sector in the Asian region this week despite oil prices finishing the week off higher. The MSCI Asia Ex. Japan Energy Index fell 6.12 percent this week.
- The Malaysian ringgit was the worst performing currency in the region this week as weak oil prices (Malaysia is a net exporter of oil) and political uncertainty weigh on economic fundamentals. The ringgit fell 4.33 percent this week.

Opportunities

- Consumer prices in Singapore fell 0.8 percent year-over-year in August. Although Singapore's persistent deflation is concerning, it could force the Monetary Authority of Singapore (MAS) to reduce interest rates next month, which would be a positive surprise.

- South Korean industrial production growth during the month of August is forecasted to have contracted less than the prior month. An improvement in IP would be a positive sign for the Korean economy.
- Higher than normal cash allocation should continue to serve investors well, as lower than expected flash China PMI and rising probability of Chinese third quarter GDP falling below 7 percent do little to improve market sentiment. Correlation has increased to 88 percent between Chinese A Shares and U.S. equities based on rolling 60-day price movements, a distinct departure from the former's insulated past. Frail U.S. market trends of late could contain any attempt for Chinese stocks to rally in a sustainable fashion, even if next week's release of China's official PMI does not look as dire as the private version.



click to enlarge

Threats

- Both Taiwan and Singapore's industrial production growth slowed severely for the month of August. Year-over-year industrial production growth for Taiwan and Singapore fell 5.46 and 3.7 percent, respectively.
- China, South Korea, Taiwan, and Indonesia will have final manufacturing PMIs for the month of September released next week. With all four below the key 50 level, the trend looks grim.
- Chinese president Xi Jinping's indication of his resolution to advance the anticorruption campaign at home during his state visit to the U.S. this week only reinforces the most significant government policy overhang on Macau's casino gaming sector, resulting in possible continuation of a secular de-rating of casino operators based in Macau.

Emerging Europe Fund - EUROX

Emerging Europe

Strengths

- Turkey was the strongest market this week, losing 65 basis points. Turkey retained its investment grade ranking at Fitch with stable outlook, pointing to a strong balance sheet. Also, investor sentiment for Turkey improved after two politicians, Ali Babacan and Mehmet Simsek, who contributed significantly to current ruling AKP party's success, announced that they would run again. Snap election is scheduled for November 1.

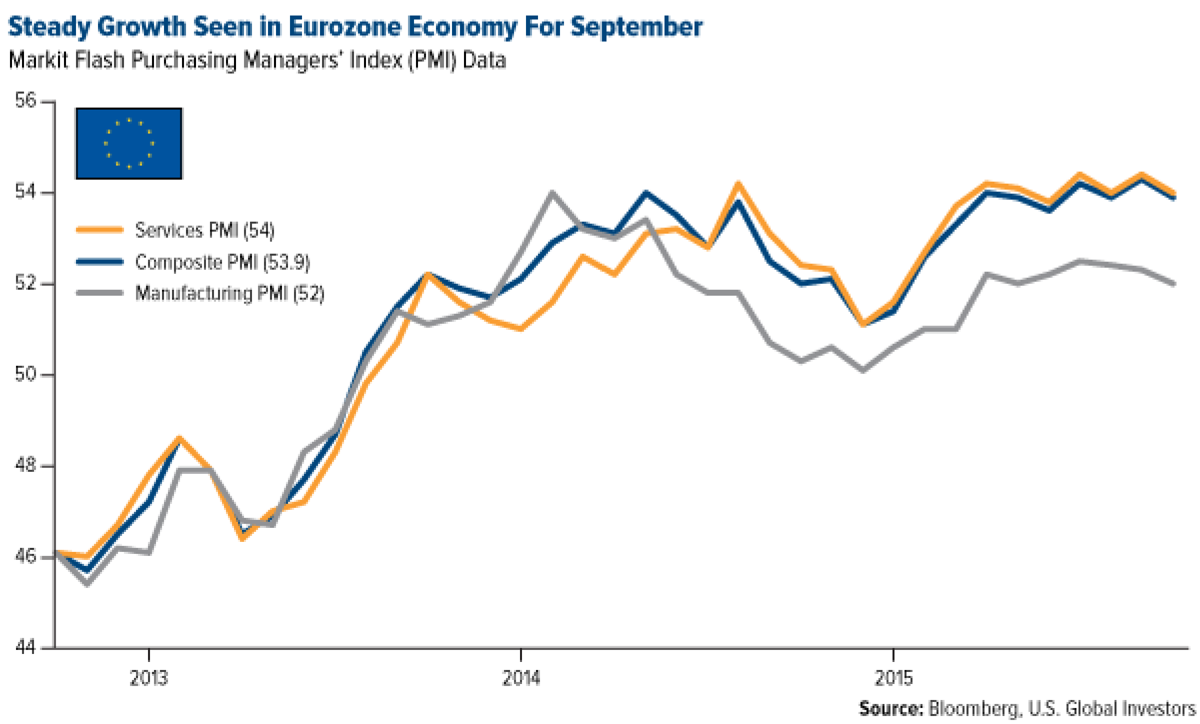
- The Russian ruble was the strongest currency this week, gaining 1.4 percent. Russian currency got a boost from strengthening oil prices. Brent crude gained more than 2 percent in the past five days.
- The health care sector was the strongest sector within the emerging European countries.

Weaknesses

- Russia was the weakest market this week, losing 4.2 percent. September PMI data dropped to 47.9 from 48.3, indicating slowdown in manufacturing activities. Also, Russia's government proposed additional tax on oil producers, pushing energy companies lower. Lukoil was down 6.9 for the week and Gazprom lost 4.4 percent during the same period.
- The Hungarian forint was the weakest currency this week, losing more than 2 percent. Hungary's central bank left its base rate unchanged at 1.35 percent, and said it would maintain loose monetary conditions for longer than expected in order to reach its inflation target and support the economy. Hungary's inflation rate eased to 0.4 percent in August from 0.6 percent in July, well below the central bank's target inflation of 3 percent.
- The materials sector was the weakest sector within the emerging European countries.

Opportunities

- The Eurozone Composite index, a measure of activity in the manufacturing and services sectors, was reported at 53.9 for the month of September versus prior reading of 54.3. While the latest reading slipped, the third quarter average stood at the highest level in more than four years.

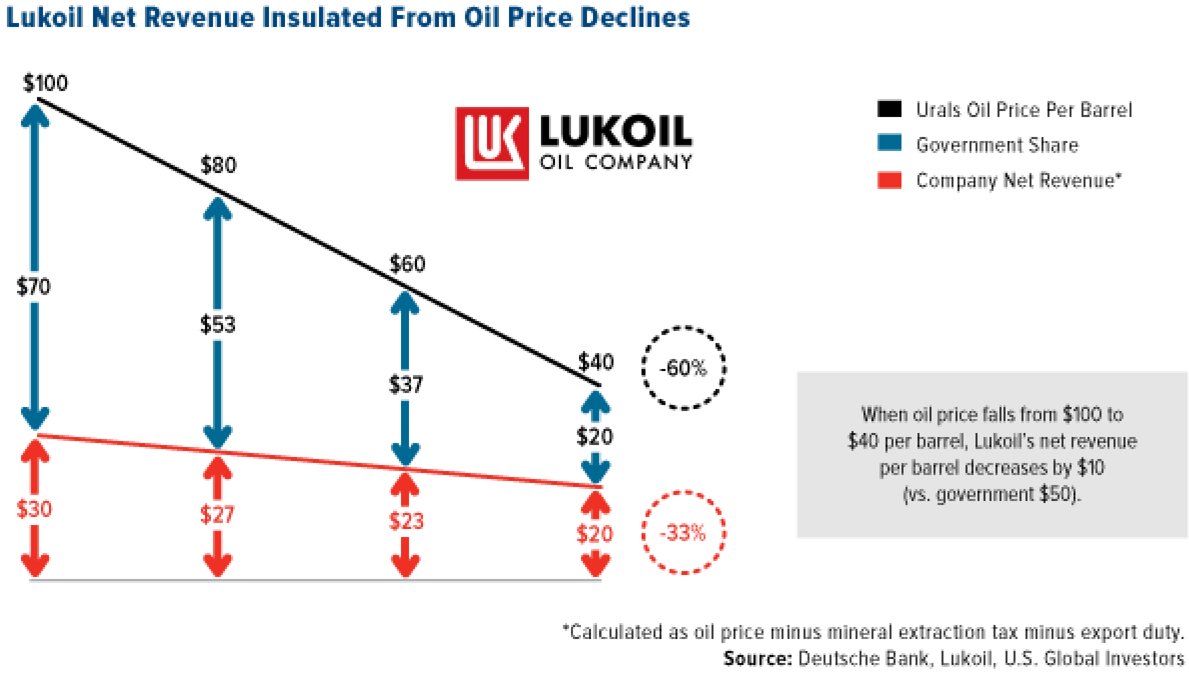


click to enlarge

- Alexis Tsipras was sworn in as Greece's prime minister on Monday after his left-wing party, Syriza, managed to win the elections the prior day. Now Tsipras is presented with the opportunity to quickly address the implementation of pension cuts and other austerity measures under Greece's bailout plan worth 86 billion euros over the next three years. Once accomplished investors are more likely to regain confidence in the region.
- Jakub Borowski, Chief Economist and Director of Macroeconomic Analysis Department at Credit Agricole Bank Polska and tutor at the Warsaw School of Economics, expects Poland's monetary policy to begin a shift toward easing following next month's general election. After the election the Law & Justice party will probably appoint economists more focused on propping up growth than the outgoing Monetary Policy Council. Borowski sees a 50 basis point rate reduction in March.

Threats

- Russia proposed to increase tax revenue on upstream oil producers. The details of the proposed tax increase are not available yet, but RenCap Securities estimates that an extra 10 percent of extraction tax will wipe out about 20 percent of upstream' s net income. Russian oil companies have managed to provide good results during a period of declining oil prices. The weaker ruble and progressive tax structure in Russia contributed to better results than expected. The chart below illustrates that the Russian government is the biggest loser in the declining oil prices environment. When the oil price falls from $100 to $40, Lukoil's net revenue per barrel decreases by $10, while the government incurs much higher losses.



click to enlarge

- The president of Russia, Vladimir Putin, may be preparing for an airstrike against Islamic State from inside of Syria. Russia has sent two dozen jets and deployed hundreds of servicemen to the country in process of preparation for a possible attack. Putin will be traveling to the Unites States for the United Nations General Assembly meeting scheduled for September 28, which may include talks with President Barack Obama.

- Andrzej Duda, the newly elected president of Poland, will send a bill to parliament seeking to cut the retirement age to 60 years for women and 65 for men from 67 years for both. Estimated cost of the proposed plan stands at around 30 billion zloty ($8 billion) in 2016-2019.

Leaders and Laggards

Weekly Performance

Index	Close	Weekly Change($)	Weekly Change(%)
Oil Futures	45.45	+0.77	+1.72%

10-Yr Treasury Bond	2.17	+0.03	+1.45%
Gold Futures	1,145.60	+7.80	+0.69%
DJIA	16,314.67	-69.91	-0.43%
S&P/TSX Canadian Gold Index	127.08	-1.32	-1.03%
S&P Energy	456.85	-5.56	-1.20%
S&P 500	1,931.34	-26.69	-1.36%
Natural Gas Futures	2.57	-0.04	-1.50%
Korean KOSPI Index	1,942.85	-53.10	-2.66%
XAU	47.27	-1.40	-2.88%
Nasdaq	4,686.50	-140.73	-2.92%
Hang Seng Composite Index	2,912.68	-101.56	-3.37%
Russell 2000	1,122.79	-40.56	-3.49%
S&P Basic Materials	252.82	-10.59	-4.02%

Monthly Performance

Index	Close	Monthly Change($)	Monthly Change(%)
Oil Futures	45.45	+6.85	+17.75%
XAU	47.27	+3.30	+7.51%
S&P/TSX Canadian Gold Index	127.08	+6.87	+5.71%
Korean KOSPI Index	1,942.85	+48.76	+2.57%
Hang Seng Composite Index	2,912.68	+59.81	+2.10%
S&P Energy	456.85	+9.30	+2.08%
Gold Futures	1,145.60	+21.00	+1.87%
DJIA	16,314.67	+29.16	+0.18%
Nasdaq	4,686.50	-11.04	-0.24%
S&P 500	1,931.34	-9.17	-0.47%
10-Yr Treasury Bond	2.17	-0.01	-0.51%
Russell 2000	1,122.79	-9.40	-0.83%
S&P Basic Materials	252.82	-9.04	-3.45%
Natural Gas Futures	2.57	-0.13	-4.72%

Quarterly Performance

Index	Close	Quarterly Change($)	Quarterly Change(%)
Gold Futures	1,145.60	-29.90	-2.54%
Korean KOSPI Index	1,942.85	-147.41	-7.05%
Natural Gas Futures	2.57	-0.21	-7.46%
Nasdaq	4,686.50	-394.01	-7.76%
S&P 500	1,931.34	-170.15	-8.10%
DJIA	16,314.67	-1,632.01	-9.09%
Russell 2000	1,122.79	-157.01	-12.27%
10-Yr Treasury Bond	2.17	-0.31	-12.49%
S&P/TSX Canadian Gold Index	127.08	-24.77	-16.31%
S&P Energy	456.85	-100.47	-18.03%
S&P Basic Materials	252.82	-57.18	-18.45%
Hang Seng Composite Index	2,912.68	-773.98	-20.99%

Oil Futures	**45.45**	-14.18	-23.78%
XAU	**47.27**	-17.41	-26.92%

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.

Stock markets can be volatile and share prices can fluctuate in response to sector-related and other risks as described in the fund prospectus.

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. Though the Near-Term Tax Free Fund seeks minimal fluctuations in share price, it is subject to the risk that the credit quality of a portfolio holding could decline, as well as risk related to changes in the economic conditions of a state, region or issuer. These risks could cause the fund's share price to decline. Tax-exempt income is federal income tax free. A portion of this income may be subject to state and local taxes and at times the alternative minimum tax. 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.

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 June 30, 2015.

Sony Pictures: 0.00%
Facebook: Holmes Macro Trends, 2.22%
Apple: All American Equity Fund, 3.10%; Holmes Macro Trends Fund, 4.46%
Tesla Motors: 0.00%
Amazon: 0.00%
Google: 0.00%
Citigroup Inc.: All American Equity Fund, 1.58%
PepsiCo Inc: All American Equity Fund, 1.15%
IBM: All American Equity Fund, 0.93%
Lockheed Martin: 0.00%
Boeing: All American Equity Fund, 1.06%; Holmes Macro Trends Fund, 1.50%
Lukoil: Emerging Europe Fund, 4.79%
Gazprom: Emerging Europe Fund, 4.66%

*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 Shanghai Stock Exchange Composite Index is a capitalization-weighted index that tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.
MSCI Asia Ex. Japan Telecommunication Services Index is a free-float weighted equity index.
The Jakarta Stock Price Index is a modified capitalization-weighted index of all stocks listed on the regular board of the Indonesia Stock Exchange.
MSCI Asia Ex. Japan Energy Index is a free-float weighted equity index.
The S&P Volatility Index (VIX) shows the market's 30-day volatility, and is a widely used measure of market risk.
The University of Michigan Confidence Index is a survey of consumer confidence conducted by the University of Michigan. The report, released on the tenth of each month, gives a snapshot of whether or not consumers are willing to spend money.
The ISM manufacturing composite index is a diffusion index calculated from five of the eight sub-components of a monthly survey of purchasing managers at roughly 300 manufacturing firms from 21 industries in all 50 states.
The GDP personal consumption price index is the price index for personal consumption expenditures from the GDP report. It is an inflation gauge.
The Conference Board index of leading economic indicators is an index published monthly by the Conference Board used to predict the direction of the economy's movements in the months to come. The index is made up of 10 economic components, whose changes tend to precede changes in the overall economy.
The Markit U.S. Services PMI captures business conditions in the services sector.
The S&P Supercomposite Oil & Gas Refining & Marketing Index is a capitalization-weighted index.
The Bloomberg Dry Ships Index is a capitalization weighted index. The index was developed with a base value of 100 as of December 31, 1998.
The S&P Global Natural Resources Index includes 90 of the largest publicly-traded companies in natural resources and commodities businesses that meet specific investability requirements, offering investors diversified, liquid and investable equity exposure across 3 primary commodity-related sectors: Agribusiness, Energy, and Metals & Mining.
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 Bloomberg Tanker Index is a capitalization weighted index of the leading oil tanker companies traded on the New

York Stock Exchange. The index was developed with a base value of 100 as of December 31, 1998.
Market Vectors Global Coal Index tracks the overall performance of companies involved in coal operations (production, mining, and cokeries), transportation of coal, from production of coal mining equipment as well as from storage and trade.