SPECIAL GOLD REPORT

U.S. Global Investors

Time to Mine for Gold Mining Opportunities?

Have gold miners hit a bottom? Is there an attractive entry point? What are the drivers for a rebound? Since many gold companies plummeted during the first half of the year, these are the questions we've been receiving from advisors interested in investing in this deeply discounted sector.

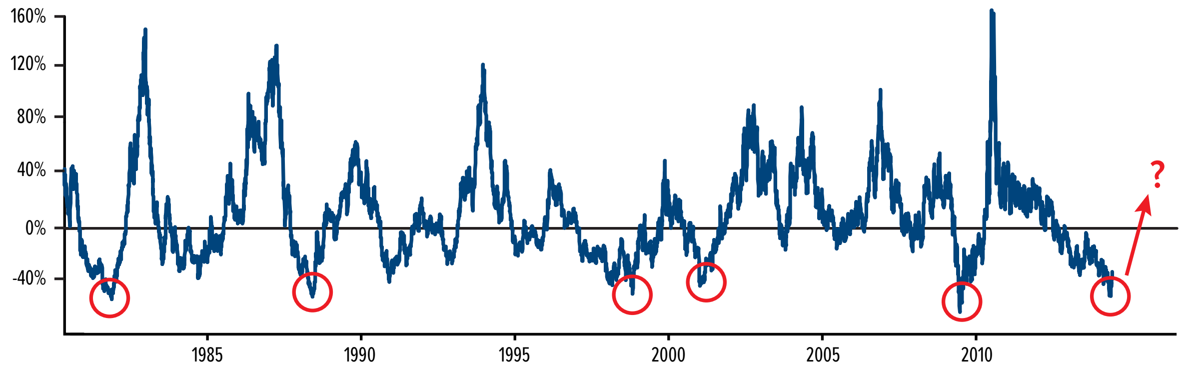
KEY POINTS:

- Declining grades and fewer discoveries have presented considerable challenges to miners.
- The recent collapse of the gold price was a final wake-up call, precipitating major cost control initiatives across the industry.
- These measures will likely tighten gold supply and, with demand for gold continuing, higher prices are likely.
- In a diversified portfolio, there are three reasons to include gold and gold stocks today.

How Gold Miners Leverage the Gold Price

Gold Shares Deeply Oversold

Annual Rate of Change



Source: BCA Research 2013, Thomson Reuters

Gold companies appear deeply oversold as of the end of July. Based on the annual rate of change of global gold mining stock prices over the past few decades, this year's correction has been severe. Previous to today's slide, BCA Research finds only five times that these extremes have happened. Following these dips, gold stocks rebounded, in some cases, significantly.

And with the drivers remaining in place for gold, this rebound could happen again soon.

To provide the historical 2-to-1 leverage to the gold price, miners need to add value by being an effective miner and effective public company.

The table below outlines the key factors in how effective management adds value as miners and as public companies. The more disciplined and successful the execution, the bigger the potential boost in gold equity returns.

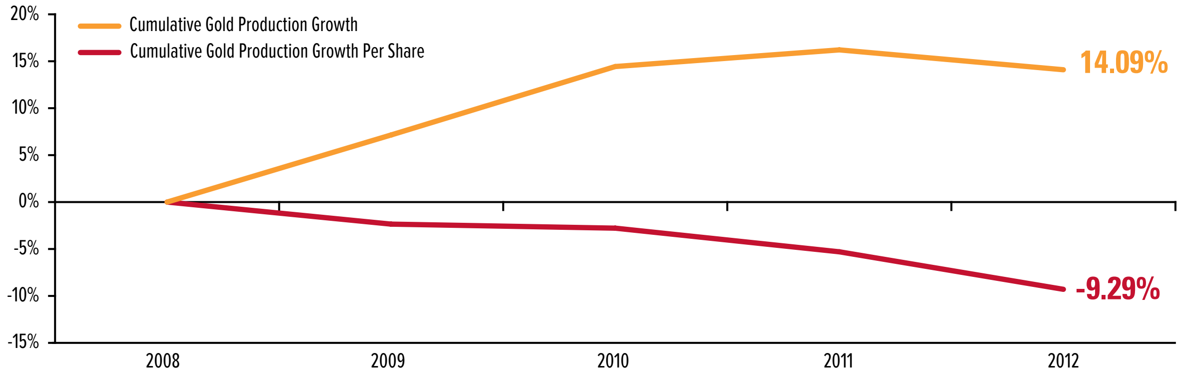
Over the past few years while the price of gold climbed, the mining industry was hit with several challenges. Then, the gold price plummeted, which served as a sort of final alarm for the industry.

To find out how gold companies were adapting their businesses, our team talked to several mining companies. The results outlined on the next page may surprise you.

Add value by being an effective miner	+	Add value by being an effective public company
Grow Production Volume		**Provide Balance Sheet Leverage with Debt**
and/or		and/or
Expand Margins		**Return Free Cashflow Through Dividends**
and/or		and/or
Optimize Capital		**Enjoy Positive 'Rating Multiplier' Effect**

Adapting to the Challenges

Gold Production Growth vs. Per Share Gold Growth
80 Gold Producers



Source: Bloomberg

In recent years, gold mining companies have been trying to grow their production profile, but also faced a depleting resource base. Grades fell an average of 21 percent since 2005. Discoveries became scarce while cost inflation rose, averaging 11 percent over the past three years.

As the price of gold rose, there was a huge push to grow gold production at any cost, resulting in a significant increase in capital spending. Based on U.S. Global's independent research, this growth was primarily financed through equity issuance. Of 80 global gold producers we looked at, production increased 14 percent on a cumulative basis over the past four years. But, on a per share basis, gold production growth actually decreased more than 9 percent.

Even in a rising gold market, the economic value per share was diluted, as gold miners issued shares faster than they discovered the metal and faster than they increased their production.

We believe the 2013 drop in gold price was the final wake-up call to miners, precipitating a wave of changes throughout the mining industry. Here are a few:

- **Executive turnover.** At least 20 mining companies, including Newmont Mining and Barrick Gold, have new CEOs. We believe this new leadership is a positive driver for CEOs to spearhead a focus on adding value for the shareholder.
- **Cost control is top priority.** Miners will be focusing their efforts on viable projects. If spending is too expensive, exploration is cut and production halted. As one example, the world's largest producer, Barrick Gold, says it may sell, close or curb output at 12 mines where costs are high.
- **Significant cuts to capital expenditures.** AngloGold is cutting $2 billion, Freeport-McMoRan is cutting $1 billion and IAMGOLD is cutting $100 million. Phase two level projects will likely be kept at around $1,200 per ounce and phase three need to be as low as $1,000 per ounce.

We believe these changes are positive for investors in gold and gold miners, as spending cuts will likely tighten the world's gold supply. We expect demand to continue, resulting in higher commodity prices.

Three Reasons to be Bullish on Gold Stocks

While we always advocate holding a 5 to 10 percent weighting in gold and gold stocks, here are three reasons to be bullish today.

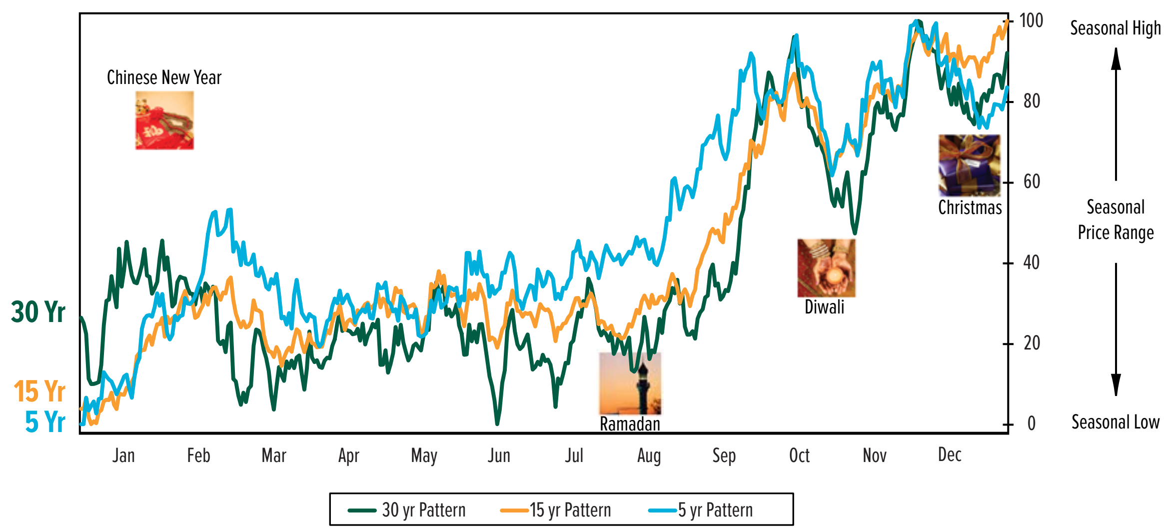
1. Fall Begins Season of Gold Buying

Most of the attention for gold demand is focused on the Fear Trade, which are primarily buyers who purchase paper gold out of fear of damaging government policies. However, according to the World Gold Council, about 70 percent of gold demand comes from consumers who buy gold bars, gold coins and jewelry. These Love Trade buyers are primarily in China and India, who have a long affinity for the yellow metal and buy gold for loved ones during special occasions.

You can see the Love Trade's effect on the historical price of gold below. Gold historically enters its period of seasonal strength with Ramadan, which began in July this year, followed by the Indian Festival of Lights, wedding season, Christmas and Chinese New Year.

Gold: 24 Hour Composite

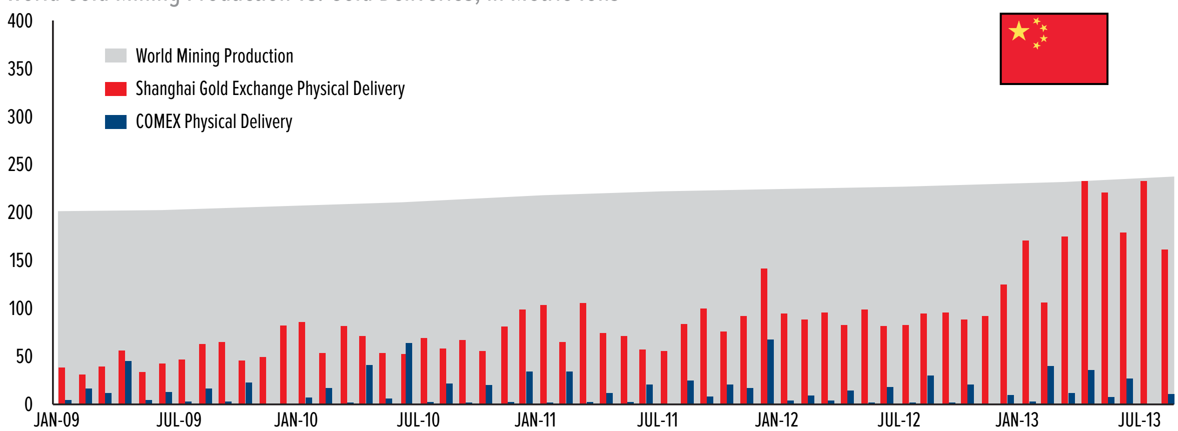
Historical Patterns (1974-2012)



Source: Moore Research Center, Inc. and U.S. Global Investors

Chinese Demand for Gold Remains Robust

World Gold Mining Production vs. Gold Deliveries, in Metric Tons



Source: SGE, USGS, CME, U.S. Global Investors

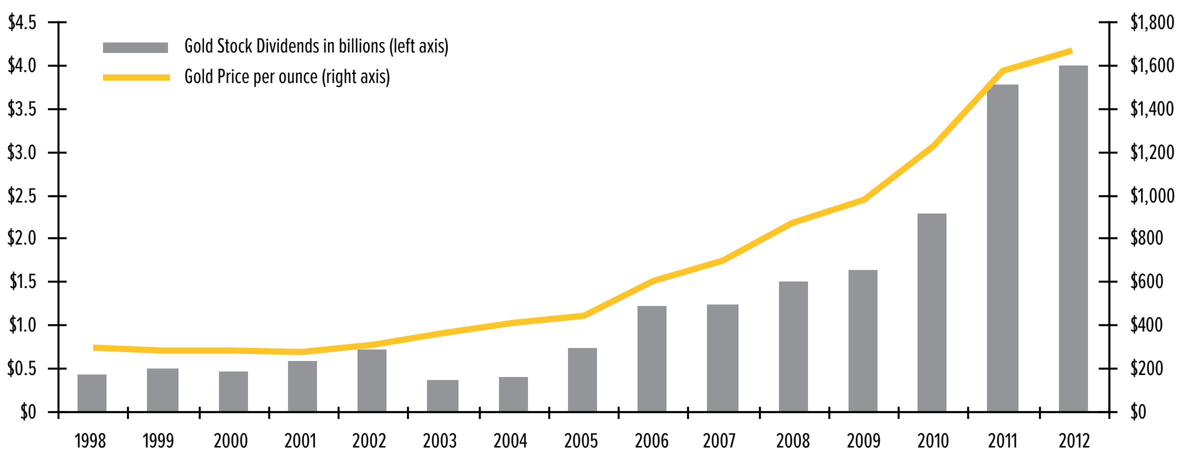
2. A Transfer from Paper to Physical Means Gold is in Strong Hands

Physical gold deliveries in Shanghai remain elevated in the first eight months of the year. Deliveries have approached the entire amount delivered in 2012, and are more than double China's annual production. Comparatively, total known ETF holdings of gold have decreased and the physical delivery of gold on the COMEX remains minimal.

3. Dividend Payouts Have Been Growing

According to CIBC World Markets, over the past 15 years, the world's top 20 gold companies have increased their dividends at a compound annual growth rate of 16 percent. By comparison, gold only rose 12 percent annually.

Dividend Growth of World's Top 20 Gold Companies



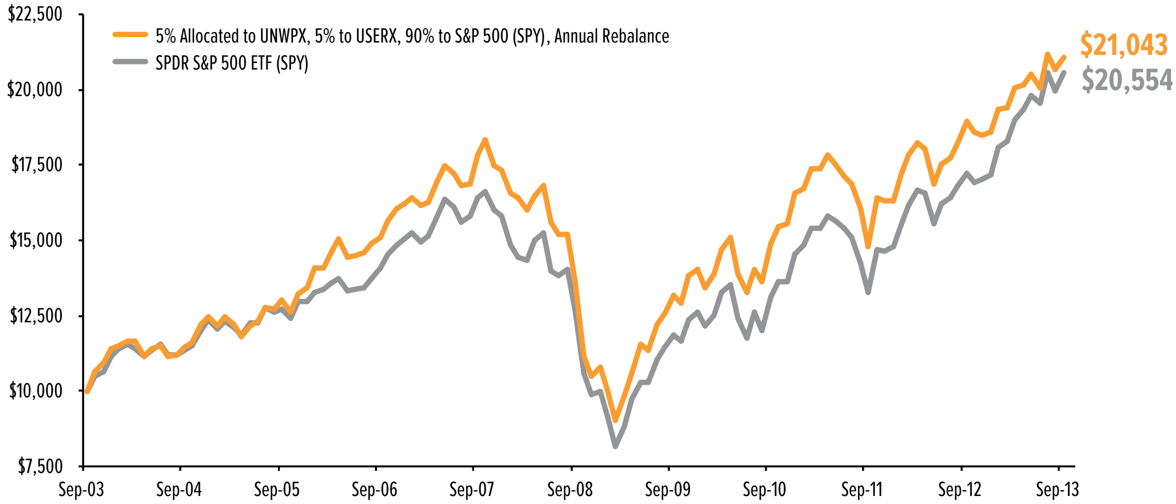
Source: Bloomberg and CIBC World Markets Inc.

Gold Companies' Boost to Portfolio of U.S. Stocks

Over 10 years, regardless of the extreme moves in gold stocks, the investment in both gold stocks and the S&P 500 ETF never dipped below the portfolio entirely made of U.S. equities.

In addition, the combination of gold stocks and U.S. companies increased the portfolio's return by about $489.

Growth of $10,000 with 10 Percent Gold



Source: Bloomberg, U.S. Global Investors

The chart illustrates the performance of a hypothetical $10,000 investment made in the funds and strategy during the depicted time frame. Figures include reinvestment of capital gains and dividends, but the performance does not include the effect of any direct fees described in the fund's prospectus (e.g., short-term trading fees) which, if applicable, would lower your total returns. This hypothetical portfolio is presented for educational and illustrative purposes only and is not a recommendation to engage in any particular investment strategy. Past performance does not guarantee future results.

Total Annualized Returns as of 09/30/2013

	One-Year	Five-Year	Ten-Year	Gross Expense Ratio
Gold and Precious Metals Fund (USERX)	-46.99%	-4.21%	5.96%	1.61%
World Precious Minerals Fund (UNWPX)	-50.15%	-5.67%	4.53%	1.45%
S&P 500 SPDR (SPY)	19.15%	10.03%	7.46%	0.11%*

*Expense ratio as stated in the most recent prospectus. Performance data quoted above is historical. Past performance is no guarantee of future results. Results reflect the reinvestment of dividends and other earnings. Current performance may be higher or lower than the performance data quoted. The principal value and investment return of an investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. Performance does not include the effect of any direct fees described in the fund's prospectus (e.g., short-term trading fees of 0.05%) which, if applicable, would lower your total returns. Performance quoted for periods of one year or less is cumulative and not annualized. Obtain performance data current to the most recent month-end at www.usfunds.com or 1-800-US-FUNDS. * For information regarding the investment objectives, risks, expenses and fees of the S&P 500 SPDR, please refer to the fund's prospectus.*

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.

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% to 10% of your portfolio in these sectors.

Holdings in the U.S. Global Investors Funds mentioned as a percentage of net assets as of 9/30/2013: AngloGold (Gold and Precious Metals Fund 0.05%, World Precious Minerals Fund 0.05%), Barrick Gold (Gold and Precious Metals Fund 4.25%, World Precious Minerals Fund 0.47%) Freeport-McMoRan (Gold and Precious Metals Fund 0.14%, World Precious Minerals Fund 0.13%), IAMGOLD (Gold and Precious Metals Fund 0.17%, World Precious Minerals Fund 0.08%), Newmont Mining (Gold and Precious Metals Fund 2.23%, World Precious Minerals Fund 0.43%).

There is no guarantee that the issuers of any securities will declare dividends in the future or that, if declared, will remain at current levels or increase over time.

Investment objective: The Gold and Precious Metals Fund is an actively managed mutual fund that focuses on gold and precious metals producing companies. The World Precious Minerals Fund is an actively managed fund that focuses on junior and intermediate precious metals exploration companies around the world. The SPDR S&P 500 ETF Trust (SPY) is a passively managed fund that, before expenses, seeks to correspond generally to the price and yield performance of the S&P 500 Index.

Liquidity: The Gold and Precious Metals Fund and World Precious Minerals Fund can be purchased or sold at a net asset value (NAV) determined at the end of each trading day. The SPDR S&P 500 ETF can be purchased or sold intraday. These purchases and redemptions may generate brokerage commissions and other charges not reflected in the ETF's published expense ratio.

Safety/Fluctuations of principal/return: Loss of money is a risk of investing in the Gold and Precious Metals Fund, the World Precious Minerals Fund and the SPDR S&P 500 ETF. Shares of the three securities are subject to sudden fluctuations in value. The SPDR S&P 500 ETF may also be subject to bid-ask premiums or discounts to net asset value (NAV) that could adversely affect a shareholder's actual returns.

Tax features: The Gold and Precious Metals Fund and World Precious Minerals Fund intend to make distributions that may be taxed as ordinary income or capital gains. Under current federal law, long-term capital gains for individual investors in the fund are taxed at a maximum rate of 15%. For the SPDR S&P 500 ETF, long-term capital gain distributions will result from gains on the sale or exchange of capital assets held by the fund for more than one year. Any long-term capital gains distributions you receive from a fund are taxable as long-term capital gains regardless of how long you have owned your shares. Long-term capital gains are currently taxed at a maximum of 15%. Information provided here is neither tax nor legal advice and is general in nature. Federal and state laws and regulations are subject to change. 13-513

Discover U.S. Global Investors’ Two Gold Funds

The Gold and Precious Metals Fund (USERX) is the first no-load gold mutual fund in the U.S. and seeks opportunity in gold mining, investing in proven gold producing companies.

The World Precious Minerals Fund (UNWPX) gives investors increased exposure to junior and intermediate mining companies involved in precious minerals such as gold, silver, platinum group, palladium and diamonds for added growth potential.

Contact us to discuss today’s gold mining opportunities.

Contact Shareholder Services and ask about the Gold and Precious Metals Fund and World Precious Minerals Fund.

800-873-8637
Monday–Friday, 7:30 a.m. to 6:30 p.m. (CST)
or email shsvc@usfunds.com

U.S. Global Investors, Inc. is an investment management firm specializing in gold, natural resources and emerging markets opportunities around the world. The company, headquartered in San Antonio, Texas, manages 13 no-load mutual funds in the U.S. Global Investors fund family, as well as funds for international clients.