U.S. Global Investors
Investor Alert

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Perfect Storm Creates Tidal Wave of Gold Demand

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

A few weeks ago we held our Case for Investing in Gold webcast with the World Gold Council's (WGC) Jason Toussaint, who gave some remarkable insight into gold demand in the East. In these countries, gold is not only celebrated, acquired, worn or displayed during holidays or special occasions; it is seen as an everyday symbol of wealth.

Increases in demand from China and India have driven a 7.5 percent increase in demand for gold jewelry during the first half of the year despite a 25 percent increase in the price, according to a report released this week from GFMS. However, much of India's potential gold demand remains untapped.

Toussaint highlighted an interesting fact: Of the roughly 800 tons of gold imported to India each year, only the top 40 percent of Indian households purchase all of the country's gold, says Toussaint. The other 60 percent of Indians, who may have the same adoration for gold and celebrate Ramadan and Diwali, historically may not have had access to purchase gold. This large population represents a huge untapped market. To fulfill demand, the WGC has created a program with Indian post offices to distribute coins and small pieces of gold. Toussaint says right now there are 700 post offices in the rural areas servicing 90,000 customers and he expects that number to grow. This market is worth pursuing based on McKinsey's research that a "huge wealth creation wave" is developing in India. As Toussaint puts it, "if purchase patterns continue, we will see from 2005 to 2025, a four times larger gold market in India."

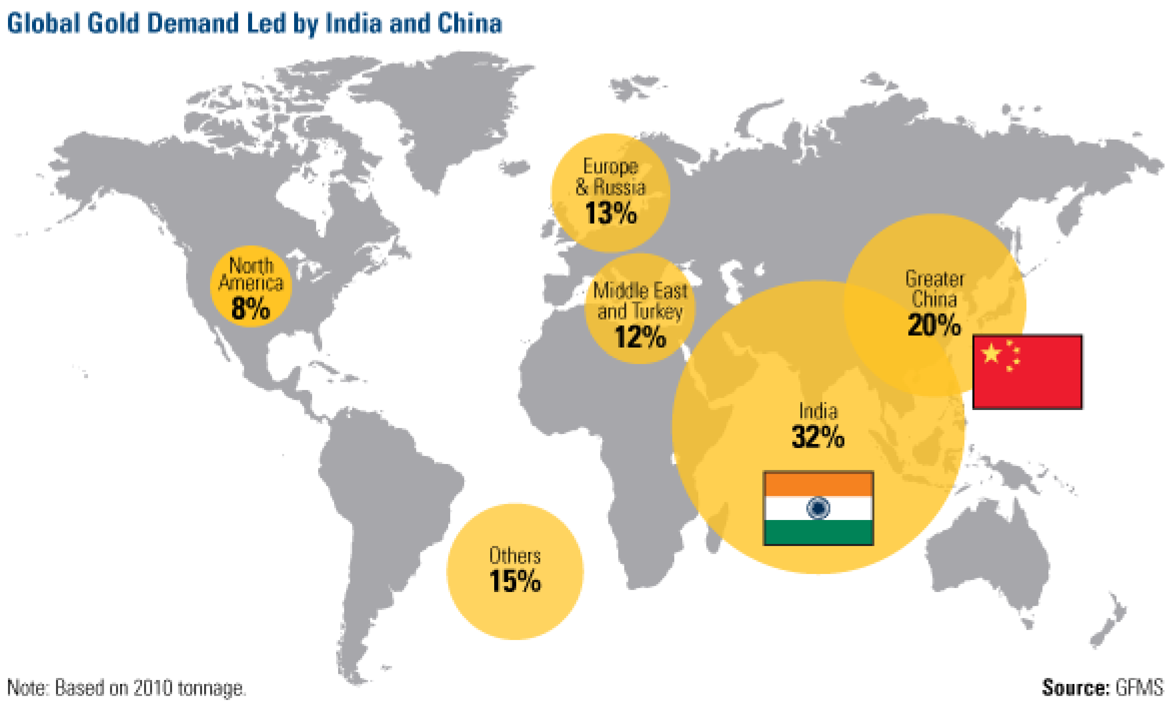
This is a fascinating idea because very few entities other than the post office have the network and infrastructure necessary to reach beneath the surface of the world's largest gold market.

India may be the world's largest gold market, but in China, gold buying has become so significant that the country has become the fastest-growing market for gold jewelry in the world. Not only are Chinese purchasing increasing amounts of gold, they prefer pure 24-carat gold. This high-quality gold is given to celebrate special occasions, such as birthdays, and purchased for a bride at her wedding. In 2010, 6.6 million brides will make gold a part of their ritual as the yellow metal signifies the importance of a long-term relationship, says the WGC website.

While jewelry represents a large percentage of gold purchases in the country, Chinese can also purchase gold at their local bank. WGC formed a partnership with the Industrial and Commercial Bank of China (ICBC Bank), the largest bank by deposits in the world. They began offering a "Gold Accumulation Plan" that lets investors buy and accumulate small portions of gold over time. Similar to a bank account, people participating have access to the underlying gold or the cash value at any point. Since it was launched in December 2010 through this summer, the ICBC has an estimated 1.7 million accounts, with an accumulation of more than 12,000 kilograms of gold.

After India and China led the global demand for gold, accounting for 52 percent of 2010 tonnage, the GFMS says the two Asian countries have "continued impressive growth" this year. Gold buying in India jumped 38 percent during the second quarter alone. GFMS reported China's gold purchases jumped 90 percent on a year-over-year basis through June. This is a follow up to the 75 percent increase in gold demand the country experienced last year.

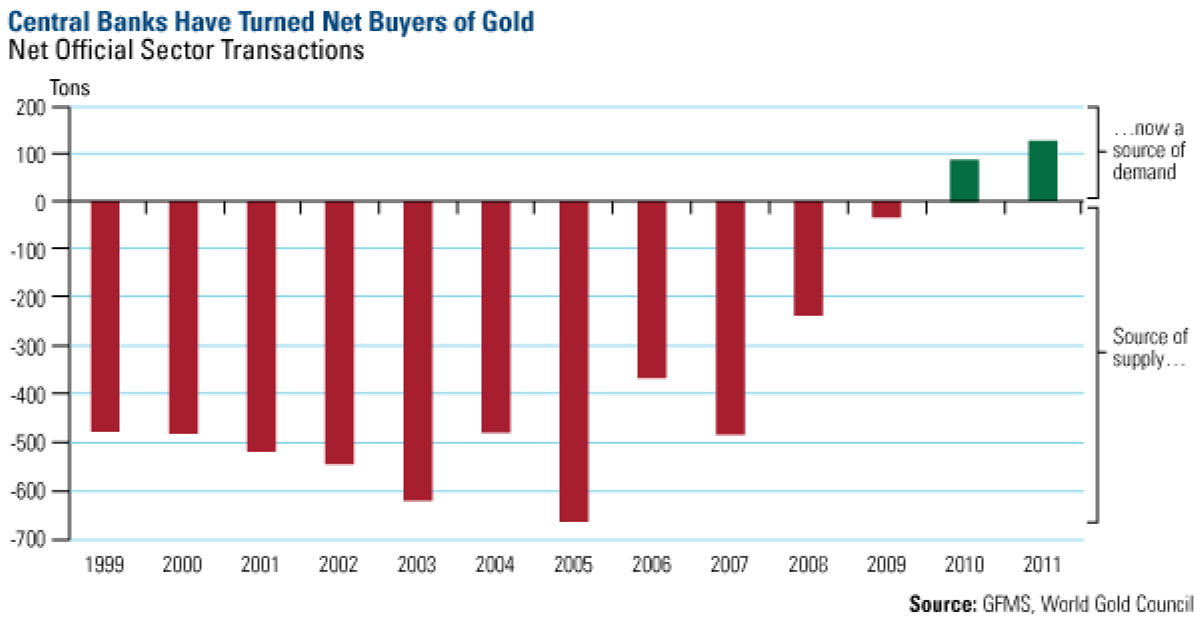
This share tops all of North America, which accounts for 8 percent, Europe and Russia, which account for 13 percent, and even the Middle East and Turkey, which together account for 12 percent. North American gold demand fell 12 percent during the first half of 2011 due to the slumping U.S. economy and rising prices.



David Lamb, the WGC's managing director for jewelry, recently told Reuters there is a "significant tidal shift to the Asian markets, to India and China in particular, and gold rising upwards and disappearing from the mass merchandising in the West."

Central Banks Load Up on Gold

Demand for gold isn't only coming from the residents of China and India. There's been a huge sentiment shift among central banks as well. Toussaint noted how, after many years of selling, central banks have become net buyers of gold. He says, "Western Central banks have essentially shut the tap off, and the vast majority of the buying is coming from Eastern central banks."



In just the first half of this year, official sector purchases are up three-fold over the 2010 total to 216 tons, accord to the GFMS report. GFMS says the rise is largely due to low sales levels from Central Bank Gold Agreement (CBGA) signatories and the International Monetary Fund (IMF) completing its sales program at the end of 2010. In addition, other countries have gobbled up gold in an effort to diversify reserves away from the U.S. dollar. Scotia Capital estimates central banks' total purchases of gold will reach 248 tons by year-end.

Some of the big buyers have been Mexico (whose central bank purchased roughly 100 tons of gold earlier this year), Korea (purchased 25 tons in June), Thailand (purchased nearly 19 tons in June) and Russia (which has purchased over 50 tons of gold from its domestic market year-to-date).

Toussaint says Eastern central banks are "catching up with the rest of the world" because their current allocation is tiny right now. However, whenever the WGC discusses these buying habits with the central banks of Korea, Taiwan and other Asian countries, they consistently say that they are interested in gold, and looking to hold it over the long-term. In other words, he says, this is not a "knee-jerk reaction to the direction of the dollar."

GFMS also believes that this could be just the beginning. In a release announcing the report, Philip Klapwijk, Global Head of Metals Analytics at GFMS, said, "we are in essence in chapter three of the central bank story—we've left behind a period of heavy net sales, then a short period of neutrality and we're now in a new environment of heavy buying."

Listen to a Case for Investing in Gold

This only scratches the surface of what was covered during the webcast. We discussed much more than China, India and central bank gold demand. If you missed it the first time, you can listen to the entire presentation at your leisure here. Find out the reasons we don't believe gold is in a bubble, the economic factors affecting how gold is valued, and how our culture and emotions shape the gold-investing landscape. It's great insight for the serious gold investor.

Listen to the webcast now

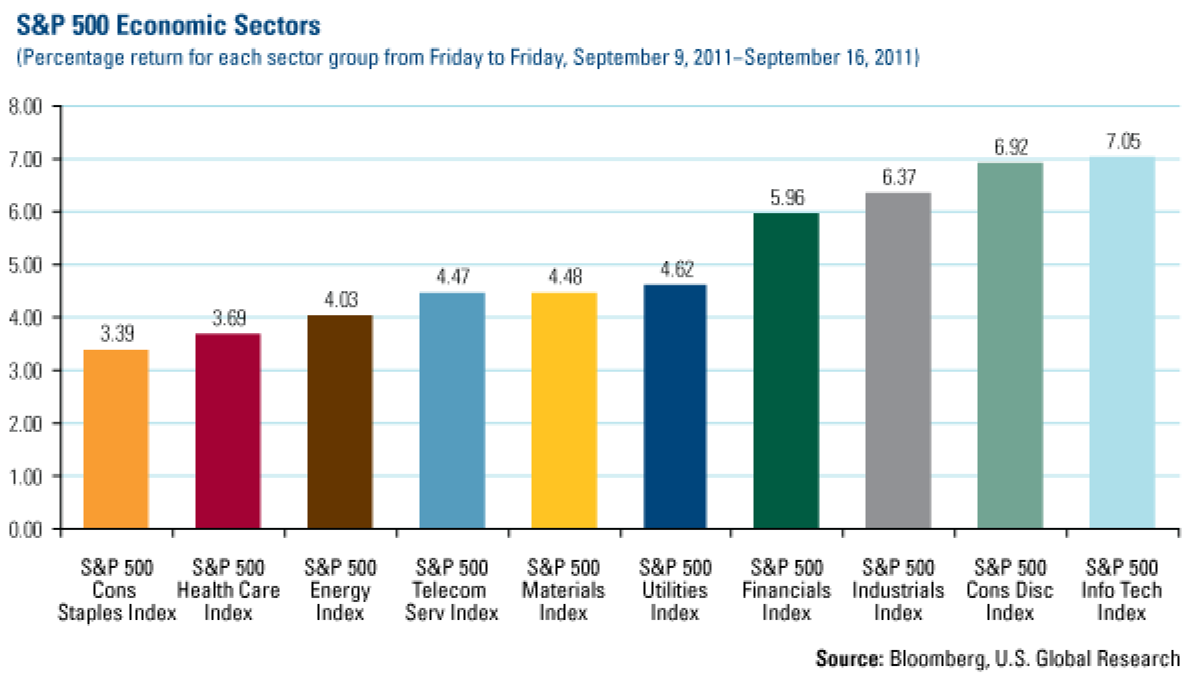
Index Summary

- The major market indices increased this week. The Dow Jones Industrial Average gained 4.70 percent. The S&P 500 Stock Index rose 5.35 percent, while the Nasdaq Composite increased 6.25 percent.
- Barra Growth outperformed Barra Value as Barra Value finished 5.16 percent higher while Barra Growth increased 5.52 percent. The Russell 2000 closed the week with a gain of 5.99 percent.
- The Hang Seng Composite Index finished lower by 2.90 percent, Taiwan lost 0.44 percent, and the KOSPI increased 1.50 percent.
- The 10-year Treasury bond yield closed 13 basis points higher at 2.05 percent.

Domestic Equity Market

The domestic stock market was higher this week with the S&P 500 Index up by 5.35 percent. The figure below shows the performance of each sector in the index for the week. All ten sectors increased. The best-performing sector for the week was technology which increased 7.05 percent. Other top-three sectors were consumer discretionary and industrials. Consumer staples was the worst performer, up 3.39 percent. Other bottom-three performers were health care and energy.

Within the technology sector the best-performing stock was Tellabs Inc, up 12.56 percent. Other top-five performers were F5 Networks, Jabil Circuit, FLIR Systems and Motorola Solutions.



Strengths

- The publishing & printing group was the best-performing group for the week, up 13 percent, led by McGraw-Hill Companies, which said it would separate into two companies with one focused on education and the other on financial ratings and data.
- The electronic equipment & instruments group outperformed, rising 12 percent, driven by its single member, FLIR Systems A brokerage firm report stated that this week a government website announced a $21 million Army award to FLIR for 48 infrared Star SAFIRE II night vision and infrared camera systems.
- The airlines group rose 11 percent, led by its single member Southwest Airlines. This week at an investor conference, airline executives provided guidance that capacity cuts already planned for the fall would continue into next year.

Weaknesses

- The health care facilities group was the worst performer, losing 5 percent on weakness in its single member, Tenet Healthcare. The company told investors that adjusted EBITDA for 2011 is expected to be toward the lower end of its previously communicated range. Tenet was impacted by an unfavorable mix shift including significant growth in Medicaid volumes (less profitable) and below average levels of Medicare acuity in July and August.
- The residential REITS (real estate investment trusts) group declined 2 percent. A brokerage firm report on apartment REITS said the multiple of price to funds from operations (FFO) is at a 34 percent premium to the REIT sector average, well above the 10 percent relative multiple premium experienced over the past 17 years.
- The oil & gas refining and marketing group underperformed, down 1 percent. The weakness in refiners is likely related to a recent decline in the still relatively high spread between the cost of crude oil and the selling price of refined product.

Opportunities

- There may be an opportunity for gain in merger & acquisition (M&A) transactions in 2011. Corporate liquidity is high, thereby providing the means to pursue acquisitions.

Threats

- A mid-cycle slowdown in the domestic economy would be negative for stocks.
- An escalation in concerns over sovereign debt obligations in Europe would be negative for stocks.

U.S. Government Securities Savings Fund - UGSXX • U.S. Treasury Securities Cash Fund - USTXX
Near-Term Tax Free Fund - NEARX • Tax Free Fund - USUTX

The Economy and Bond Market

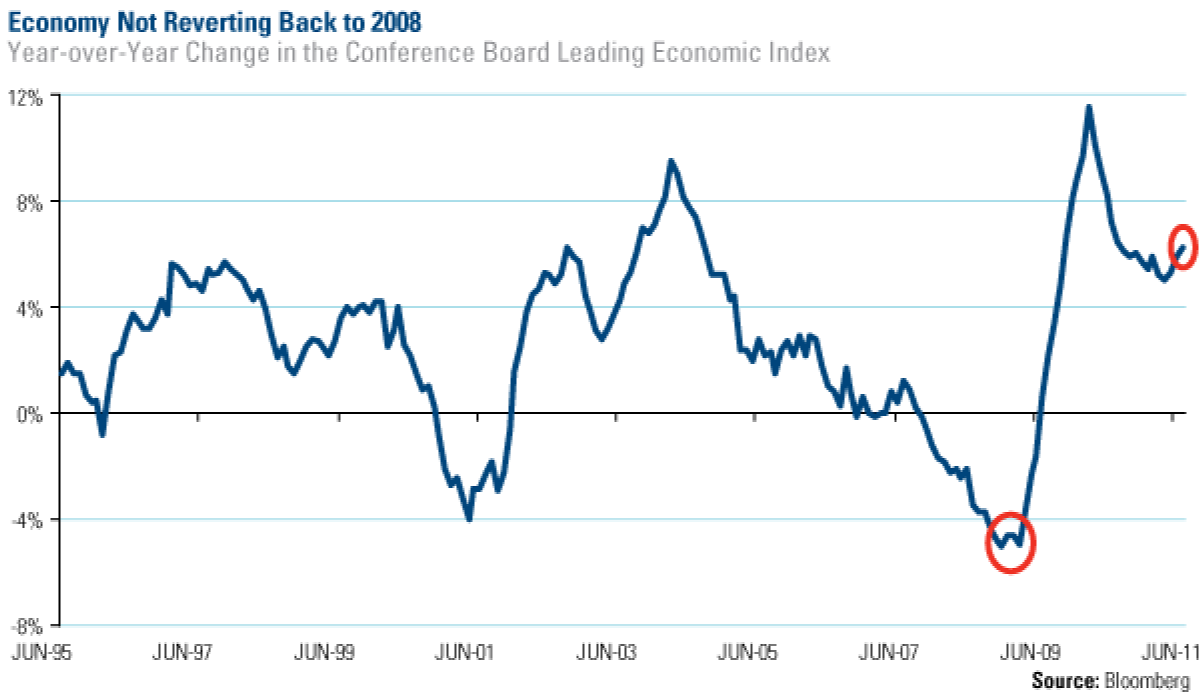
Bond yields rose this week as crisis was averted in Europe. The French, Germans and Greeks were able to agree that a Greek euro exit was unthinkable. This calmed the market, which was bracing for a potential Greek default.

While the U.S. is not immune from what is going on in Europe, America appears much further along in dealing with the fundamental issues afflicting Europe today. One hopeful sign is the Conference Board Index of Leading Economic Indicators, commonly known as the LEI. As can be seen in the chart below, on a year-over-year basis, the LEI remains high, indicating reasonably strong economic growth in the next six months.

The LEI has historically been a good predictor of economic growth. The index deteriorated in 2000, well ahead of the recession that began in 2001. In 2007 and early 2008, the index declined before the global financial crisis and associated recession began.

One other factor confirming the strength in LEI is the number of companies in the S&P Composite 1500 Index with year-over-year revenues of more than 10 percent. Currently there are 705, almost half of the S&P 1500, which is very impressive in a slow growth environment. At the bottom of the cycle in late 2009, only 179 companies were growing this fast.

The U.S. economy continues to produce dynamic growth companies which are the driving force behind economic growth and job creation. While the current environment has been difficult, the future economic situation appears to be better than most people will give it credit for.



Strengths

- Industrial production rose a better-than-expected 0.2 percent in August.
- Sentiment among Japanese manufacturers bounced back from depressed levels earlier in the year.
- The University of Michigan Confidence Index rose in September, bouncing off very low levels in August.

Weaknesses

- Initial jobless claims rose to 428,000 in the week ended September 10, indicating no relief on the job front.
- Retail sales for August were disappointing remaining unchanged from July as consumers remain cautious.
- U.S. GDP forecasts are being revised lower as global growth has been disappointing.

Opportunities

- With the economy weak and concerns brewing about an additional financial crisis, the Federal Reserve will remain accommodative for some time and bonds appear well supported in the current environment.

Threats

- There is a crisis of confidence in world leaders at the moment and the potential for another financial crisis is rising.

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

Gold Market

For the week, spot gold closed at $1,810.03, down $45.67 per ounce, or 2.46 percent. In sympathy gold stocks fell. The U.S. Trade-Weighted Dollar Index also declined less than 1 percent for the week.

Strengths

- In a Mineweb article, data shows that assets of gold exchange traded funds (ETFs) in India jumped nearly three times in August when compared to the same period last year. With stock market volatility on the rise, investors appear to have taken a fancy to gold ETFs. Gold ETF assets jumped to $1.58 billion during August 2011 from $55 million a year ago, according to data from the Association of Mutual Funds in India.

- Thomson Reuters GFMS released its Gold Survey 2011 Update 1 this week which covered the first half of the year. While the firm thinks some weakness may be in the cards for gold in the near-term, its bullish outlook remains in place and it expects gold to clear the $2000 mark by the end of the year. Indeed, data for the first half reveals a constructive fundamental picture for gold.

Weaknesses

- The gold mining equities, as measured by the NYSE Arca Gold Miners Index, fell 3.01 percent on the week with only 4 of 30 stocks in positive territory.

- Dollar funding needs ushered European banks to use gold as collateral to secure dollar funding. The Financial Times reported that “Gold dealers and analysts said that there had been a strong move to lend gold in the market in exchange for dollars in the past week, accelerating in recent days.” This trend has pushed gold leasing rates (the implied rate for lending gold for dollars) to record lows. This surge in lending is seen as one reason why gold prices have struggled of late.

- We continue to see mining stocks underperform bullion. The market has not yet extended the gains from gold to equities. Up to this point, we see that mining stocks have lagged in performance relative to bullion, but the companies themselves have directly benefited from increasing gold prices.

Opportunities

- In testimony before the House Natural Resources Committee, National Mining Association CEO Hal Quinn told congress that U.S. industry share of global exploration spending has dropped from 20 percent in 1993 to just 8 percent today. Quinn pointed out that the current regulatory process of the EPA is flawed such that it impedes growth and inhibits mining employment. Quinn noted that we could see tremendous growth and job creation, if the U.S. were allowed to develop its vast mineral wealth.

- Regarding Libya's gold reserves, a central bank official commented, "Now I will not advise them to sell the gold ... Now the way we look at it is as a hedge for other currencies," while stating that financial support was not needed.

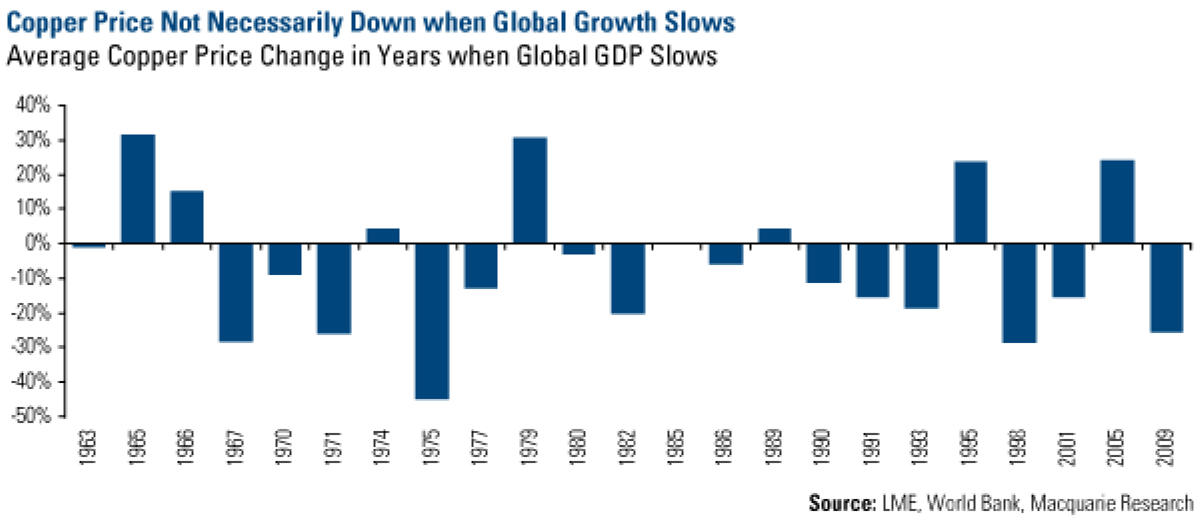
- Mineweb reported that China, the world's second-largest gold bullion market, is set to become the latest country to get gold-dispensing ATMs. The ATMs will be set up in nightclubs and private banks and will dispense 2.5 kilogram bars of gold bullion.

Threats

- Reuters reported that jewelry makers at an international trade far are seeing greater use of silver, bronze, ebony and plastics in jewelry, as surging gold prices put off price-conscious consumers.

Global Resources Fund - PSPFX • Global MegaTrends Fund - MEGAX

Energy and Natural Resources Market



Strengths

- The Global Resources Fund gained this week and outperformed its benchmark as energy- and industrial metal-related stocks rallied with major stock indices.

- The latest Steel Benchmarker price assessment by World Steel Dynamics showed further stability in global steel prices, with the majority flat over the past two weeks. The exception was U.S. hot rolled coil, which rose 5.1 percent sequentially to $768 per ton, arresting three months of consecutive falls.

- The Baltic Dry Index of freight costs increased 7 percent this week as shipments of iron ore remain robust. This is the fifth consecutive weekly gain for the Baltic Dry Index.

Weaknesses

- Seaborne iron ore prices ended the week lower for the first time in 5 weeks on weakening steel prices. After hitting 3-month highs of $181 per ton last week, the TSI reference price has fallen nearly 2 percent to trade below $178 per ton. Per analysts at Citigroup, sentiment in the Chinese steel market is still deteriorating and buyers remain inactive owing to the lack of any clear direction.

- Corn prices fell 4 percent this week on a government report that corn crop conditions have improved recently.

- Despite news of additional supply constraints, copper prices slipped 1 percent this week on concerns of slowing demand in Europe and Asia.

- Southern Copper cut its production forecast by 8 percent for the year. Output will fall to 600,000 tons, from an earlier estimate of 650,000 tons, CEO Oscar Gonzalez Rocha said.

- The International Energy Agency released its Oil Market Report this week, revising its global oil demand growth forecast lower for 2011 by 160 thousand barrels per day to 1.04 million barrels per day, and for 2012 by 200 thousand barrels per day to 1.41 million barrels per day. The IEA attributes lower non-OECD readings and reduced economic growth expectations as the prime reason for its downward revision.

Opportunities

- Reuters reported that power rationing in China will likely persist in the first half of 2012, and the deficit should be between 10 gigawatts and 15 gigawatts in the first half of 2012. Other than low water levels impacting hydropower supply, power output has been hampered by insufficient coal production, low coal quality and a mismatch between coal and power prices. The grid has asked the local government to subsidize additional power generation.

- According to Alberta's Energy Minister Ron Liepert, Canada’s oil sands producers need to build at least two more pipelines the size of the controversial Keystone XL project if they are to meet their ambitious plans for growth. “As we move forward, there will be a need for other pipelines ... By 2020, we may need three Keystones,” he said.

- Peru’s Finance Minister Miguel Castilla commented that the country’s overhaul of its mining tax system will maximize government revenue while ensuring companies proceed with more than $40 billion of investment in new mines. Castilla also stated that companies won’t pay more than 50 percent of their operating profits under the new tax regime. Under Peru’s existing system, royalties are based on sales. He said that the new system will be fairer because it levies taxes on operating profits instead of revenue, and companies with contracts that protect them from higher taxes will be subject to a separate levy on profits.

- Australia’s Bureau of Meteorology sees La Niña conditions developing in Q4 this year. Historically this would mean cold winters in the U.S. northeast and stronger demand for heating fuels.

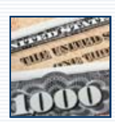
Threats

- Workers at Freeport MacMoRan's Cerro Verde mine in Peru launched an indefinite strike today after discussions with the government failed to reach an agreement on wages and working conditions. The mine represents roughly 2 percent of the world's mined copper production.

Frank Talk *Insight for Investors*

September 16, 2011
A Yuan, Euro and Dollar Walk Into a Bank...

September 15, 2011
Chart of the Week—Turkey’s “Cut Rate” Path to Growth



September 14, 2011
Six Reasons to Sell Economy, Buy Stocks

A Blog by Frank Holmes, C.E.O. and Chief Investment Officer

Emerging Markets

Strengths

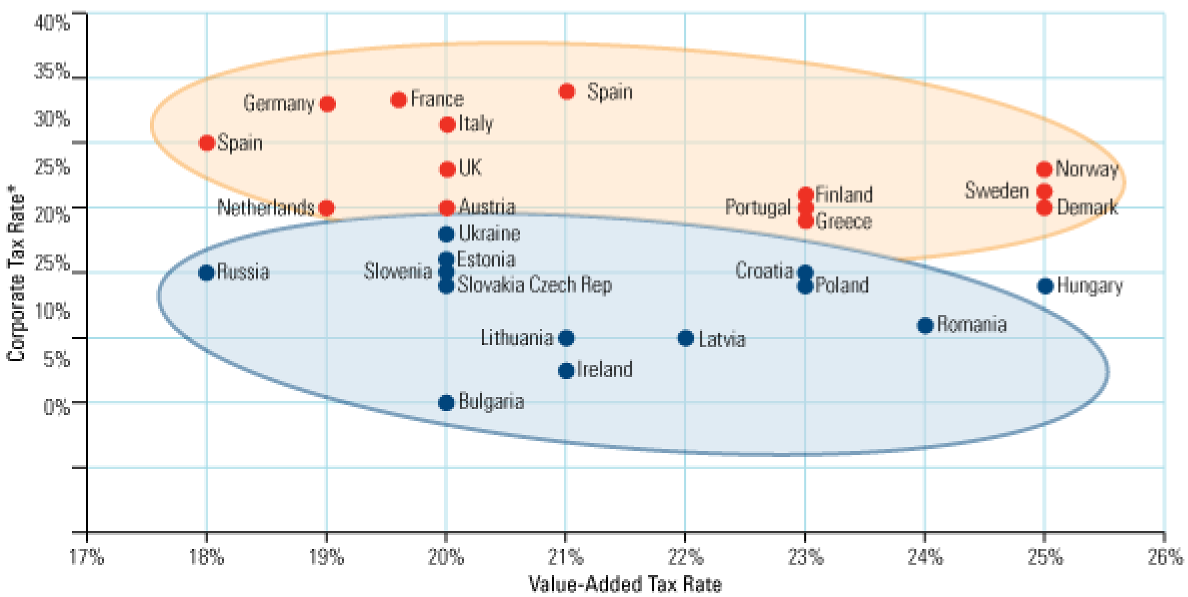
- In China, both exports and imports posted positive results in August, rising 24.5 percent and 30.2 percent, respectively. Exports to Europe and Japan rebounded, in addition to accelerating shipments to the Middle East and Latin America. Imports were driven by demand for commodities and capital goods as industries ended a period of de-stocking.

- Thailand's growth in total vehicle sales accelerated to 20.3 percent year-over-year in August from 11 percent in July, as Japanese car makers continued to increase production to meet pent up demand after the March earthquake. The government also introduced tax incentives this week for first-time car buyers.

- Singapore's retail sales growth in July was revised up to 11.1 percent year-over-year from 10.7 percent, higher than expected, driven by watches and jewelry, telecom apparatus, and motor vehicles sales, thanks to rising tourist arrivals.

- It is no wonder that many Greek companies are moving operations to Bulgaria, where taxes are 10 percent instead of the 25 percent they have to pay at home (see chart). Who loves success more – the developed world that taxes away profits or the emerging world that leaves more of the profits in the hands of entrepreneurs?

Tax Burden Greater in West Europe Compared to Eastern Europe



*In countries in which the coprporate tax and/or VAT is charged at a number of different rates, the rates shown in the charts refer to the highest rates.

Source: RAM Research, Worldwide-tax.com. Data as of August 2011

Weaknesses

- China's M2 money supply growth moderated to 13.5 percent year-over-year in August from July's 14.7 percent, the slowest pace in six years and lower than market estimates. However, central bank officials said the slowdown was within expectations and the August data didn't fully reflect actual total money supply because of banks' off-balance-sheet activity, nonbanks' stealth lending, and private underground financing.

- China's growth in electricity generation decelerated to 10 percent year-over-year in August from 13.2 percent in July and 16.2 percent in June, driven by weakening demand from cement, metals and equipment manufacturing industries.

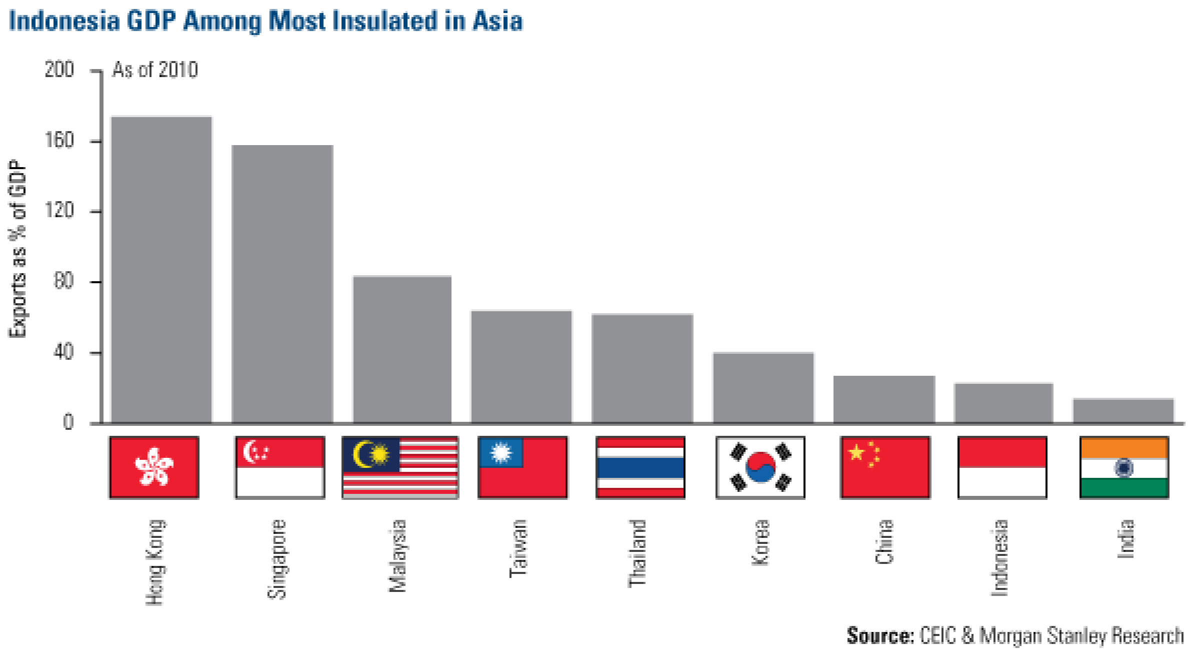
- In July, India's industrial production grew at a slower rate of 3.3 percent year-over-year, compared with

June's 8.8 percent, because of volatile capital goods output meanwhile, inflation increased to 9.8 percent year-over-year in August from 9.2 percent in July. India's central bank raised the benchmark reverse repo rate by 25 basis points to 7.25 percent from 7 percent.

- Authoritarian rulers of Armenia, Belarus, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan turned to Russia to set up a rapid-reaction force against potential uprisings. Russia strongly opposed military intervention in Libya and is against imposing sanctions on the Syrian regime.

Opportunities

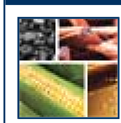
- Indonesia should be among the least vulnerable to another potential European and U.S. recession. Relative to the rest of Asia, Indonesia is less dependent on external demand since exports as a percent of its GDP ranks among the lowest at 25 percent, thanks to a large domestic economy. In addition, 64 percent of Indonesian exports go to Asia including Japan, where growth prospects are brighter than the EU and the U.S.



Threats

- Should the U.S. dollar continue to rally, Asian equities might remain under selling pressure as global liquidity could continue to rotate back into the U.S. In fact, a negative 72 percent correlation still exists between Asian stocks and the U.S. dollar index in the last three years.

Incase you missed it @ usfunds.com



Commodities 2011 Halftime Report

Leaders and Laggards

The tables show the performance of major equity and commodity market benchmarks of our family of funds.

Weekly Performance

Index	Close	Weekly Change ($)	Weekly Change (%)
Gold Futures	1,813.50	-46.00	-2.47%
S&P/TSX Canadian Gold Index	428.33	-19.20	-4.29%

Natural Gas Futures	3.82	-0.10	-2.45%
XAU	217.56	-5.65	-2.53%
DJIA	11,509.09	+516.96	+4.70%
Hang Seng Composite Index	2,707.70	-80.97	-2.90%
S&P BARRA Growth	662.28	+34.65	+5.52%
S&P 500	1,216.01	+61.78	+5.35%
S&P BARRA Value	547.52	+26.89	+5.16%
Nasdaq	2,622.31	+154.32	+6.25%
10-Yr Treasury Bond	2.05	+0.13	+6.98%
Korean KOSPI Index	1,840.10	+27.17	+1.50%
Oil Futures	87.82	+0.58	+0.66%
S&P Basic Materials	217.28	+9.33	+4.49%
S&P Energy	498.61	+19.33	+4.03%
Russell 2000	714.31	+40.35	+5.99%

Monthly Performance

Index	Close	Monthly Change ($)	Monthly Change (%)
Gold Futures	1,813.50	+19.70	+1.10%
S&P/TSX Canadian Gold Index	428.33	+19.76	+4.84%
XAU	217.56	+5.04	+2.37%
Natural Gas Futures	3.82	-0.11	-2.90%
S&P BARRA Growth	662.28	+18.39	+2.86%
DJIA	11,509.09	+98.88	+0.87%
Oil Futures	87.82	+0.24	+0.27%
S&P 500	1,216.01	+22.12	+1.85%
Korean KOSPI Index	1,840.10	-52.57	-2.78%
S&P Energy	498.61	-7.35	-1.45%
Nasdaq	2,622.31	+110.83	+4.41%
S&P BARRA Value	547.52	+4.07	+0.75%
S&P Basic Materials	217.28	+1.18	+0.55%
Hang Seng Composite Index	2,707.70	-332.01	-14.83%
Russell 2000	714.31	+10.28	+1.46%
10-Yr Treasury Bond	2.05	-0.11	-5.17%

Quarterly Performance

Index	Close	Quarterly Change ($)	Quarterly Change (%)
Gold Futures	1,813.50	+281.40	+18.37%
S&P/TSX Canadian Gold Index	428.33	+74.64	+21.10%
XAU	217.56	+28.07	+14.81%
Natural Gas Futures	3.82	-0.59	-13.44%
S&P BARRA Growth	662.28	-3.65	-0.55%
S&P Energy	498.61	-37.03	-6.91%
DJIA	11,509.09	-452.43	-3.78%
Hang Seng Composite Index	2,707.70	-393.05	-12.68%
Nasdaq	2,622.31	-1.39	-0.05%
S&P 500	1,216.01	-51.63	-4.07%
Korean KOSPI Index	1,840.10	-340.54	-15.62%
S&P Basic Materials	217.28	-11.90	-5.19%

S&P BARRA Value	**547.52**	**-46.00**	**-7.75%**
Oil Futures	**87.82**	**-7.13**	**-7.51%**
Russell 2000	**714.31**	**-67.23**	**-8.60%**
10-Yr Treasury Bond	**2.05**	**-0.87**	**-29.85%**

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.

An investment in a money market fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the fund.

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 Eastern European 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. 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.

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. Each tax free fund may invest up to 20 percent 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. Bond funds are subject to interest-rate risk; their value declines as interest rates rise. The tax free funds 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.

Past performance does not guarantee future results.

These market comments were compiled using Bloomberg and Reuters financial news.

Holdings as a percentage of net assets as of 06/30/2011:

Tellabs Inc.: All American Equity Fund: 1.00%
F5 Networks, Inc.: 0.0%
Jabil Circuit, Inc.: 0.0%
FLIR Systems, Inc.: 0.0%
Motorola Solutions, Inc.: 0.0%
McGraw-Hill Companies, Inc.: 0.0%
Southwest Airlines Co.: 0.0%
Tenet Healthcare Co.: 0.0%
Southern Copper Co.: Global Resources Fund: 1.45%; Holmes Growth Fund: 0.69%; Global MegaTrends Fund: 1.03%; Global Emerging Markets Fund: 1.10%
Freeport McMoRan Copper & Gold Inc.: Global Resources Fund: 4.46%
Industrial and Commercial Bank of China Ltd.: China Region Fund: 1.05%
Scotia Capital Inc.:0.0%
World Steel Dynamics, Inc.: 0.0%
Citigroup, Inc.: All American Equity Fund: 1.05%; Holmes Growth Fund: 1.27%

*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 S&P BARRA Growth Index is a capitalization-weighted index of all stocks in the S&P 500 that have high price-to-book ratios.
The S&P BARRA Value Index is a capitalization-weighted index of all stocks in the S&P 500 that have low price-to-book ratios.
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 MSCI Russia Index is a free-float weighted equity index developed in 1994 to track major equities traded in the Russian market.
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.
M2 Money Supply is a broad measure of money supply that includes M1 in addition to all time-related deposits, savings deposits, and non-institutional money-market funds.
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 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 S&P 1500 Composite is a broad-based capitalization-weighted index of 1500 U.S. companies and is comprised of the S&P 400, S&P 500, and the S&P 600. The index was developed with a base value of 100 as of December 30, 1994.
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 index benchmark value was 500.0 at the close of trading on December 20, 2002.
The Baltic Dry Freight Index is an economic indicator that portrays an assessed price of moving major raw materials by sea as compiled by the London-based Baltic Exchange.
The Steel Index (TSI) is the premier resource for independent steel, scrap and iron ore reference prices world-wide.