5 REASONS

WHY SHORT-TERM MUNICIPAL BONDS MAKE SENSE NOW

We'll admit it upfront: Municipal bonds, or "munis," are not as sexy as gold, ETFs or cryptocurrencies. Compared to many assets' speedboat-like nature—hopping across the choppy surface, sending ripples far and wide—munis have tended to glide like sailboats on relatively calm waters, though not all have performed well.

For this reason, among others, they play an important role as a diversifier in any serious investor's portfolio. Read on for five reasons why we believe munis make sense now.

1 MUNICIPAL BONDS GENERATE INCOME THAT'S TAX-FREE AT THE FEDERAL LEVEL AND OFTEN STATE AND LOCAL LEVELS

In 1913, to encourage investment, Congress made sure that muni bond income was exempt from federal taxes. This has been a win-win for investors as well as state and local governments. Today, an estimated two-thirds of all U.S. infrastructure projects are financed by munis.

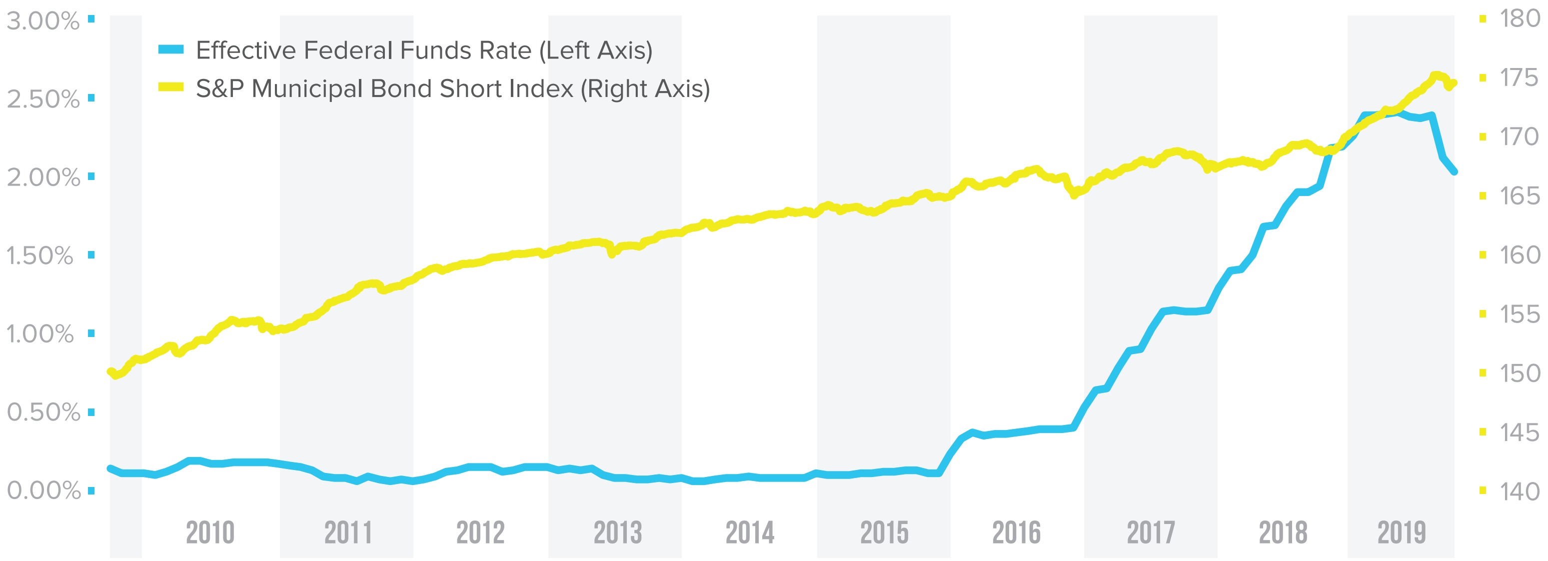
Muni bonds' tax exemption status came into focus after the Tax Cuts and Jobs Act went into effect in 2018. Because the law lowered income tax rates in nearly every bracket, some feared demand for munis would suffer, as there would be less need for tax-advantaged investments. However, the opposite has been the case. Thanks to the law's $10,000 maximum deduction on state and local income taxes, muni demand has remained as strong as ever, especially among residents of high-income tax states such as California, New York and New Jersey.

2 SHORT-TERM, HIGHLY-RATED MUNI BONDS HAVE BEEN LESS VOLATILE IN CLIMATES OF INTEREST RATE UNCERTAINTY

In July 2019, the Federal Reserve lowered interest rates for the first time in more than 10 years. Although Fed Chair Jerome Powell insists this isn't the beginning of a new easing cycle, but rather a "mid-cycle adjustment," below-average economic data suggests borrowing costs might be headed lower.

Munis Have Shown Minimal Levels of Volatility in Various Interest Rate Climates

10-Year Period Through September 30, 2019



One cannot invest in an index. Source: S&P Dow Jones Indices, Federal Reserve, U.S. Global Investors

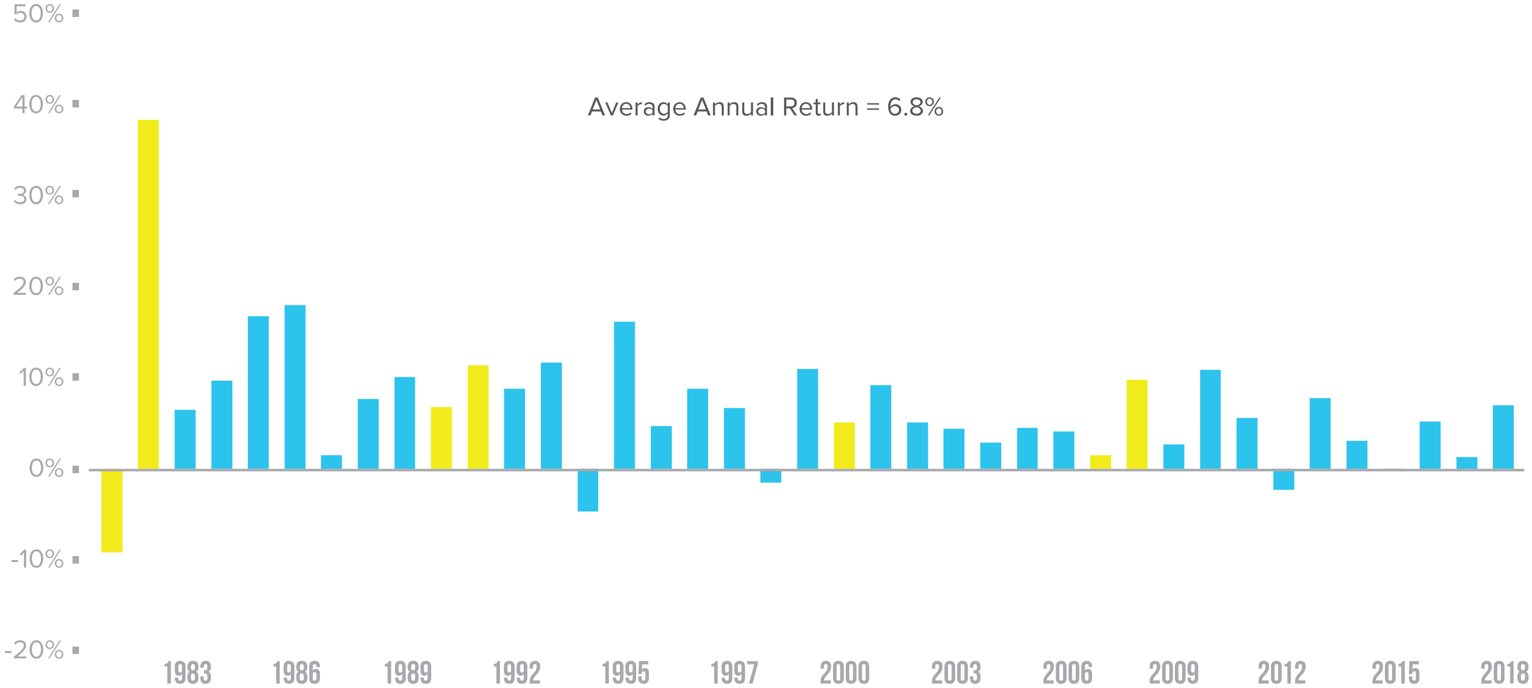
Monetary uncertainty might give some investors the jitters, but munis have a history of slow and steady gains regardless of Fed policy.

3 THEY'VE ALSO PERFORMED WELL DURING EQUITY AND ECONOMIC PULLBACKS

Municipal bonds have been steady growers not just in times of interest rate uncertainty but also during economic downturns. Look at the chart on the next page. State and local debt was up in most years going back to 1981, even during recessionary years. Over the past 38 years, munis have delivered an attractive average annual return of 6.8 percent.

U.S. State and City Debt Has Performed Well in Good and Bad Times

S&P Municipal Bond General Obligation Index Annual Returns



*Yellow bars denote recessionary periods. 2019 figure is year-to-date through August 14. Source: Bloomberg Barclays Indexes, U.S. Global Investors

One cannot invest in an index.

4 INVESTMENT-GRADE MUNIS HAVE HAD A MUCH LOWER RATE OF DEFAULT THAN CORPORATE BONDS

When investing in non-Treasury fixed income markets, default risk is always a concern. But because munis are often backed by taxes (highways, for instance) or user fees (utilities such as water and electricity), municipal debt has historically been a more reliable income stream than corporate debt. Between 1970 and 2017, the default rate for state and local governments was only 0.09 percent, according to Moody's Investors Service. For corporates, the rate was as high as 6.7 percent. Admittedly, corporate bonds have historically delivered higher returns than their muni counterparts. For the 10-year period through October 11, 2019, the S&P 500 Investment Grade Corporate Bond Index was up 64.55 percent, compared to 49.20 percent for the S&P Municipal Bond Investment Grade Index. A handful of high-profile municipal meltdowns have happened in recent years—think Detroit, Jefferson County and Puerto Rico—but so long as investors focused on bonds at the higher end of the credit quality spectrum, they weren't affected.

Munis v. Corporates

10-Year Cumulative Default Rates, 1970 - 2017

MUNICIPAL BONDS	CORPORATE BONDS
0.09%	6.7%

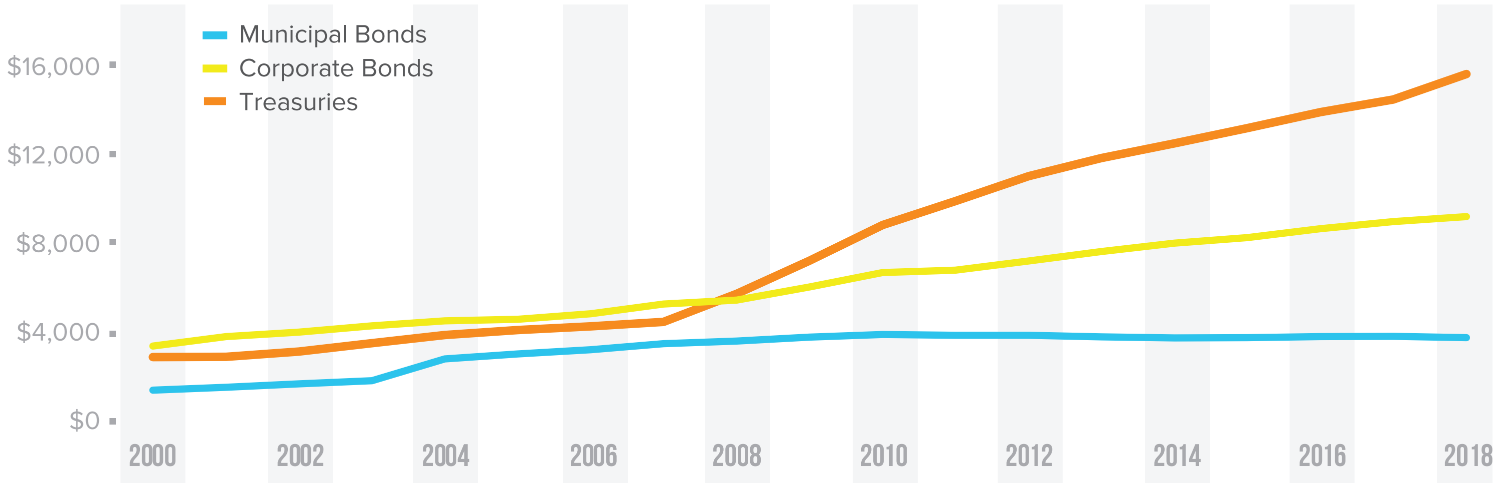
Source: Moody's Investors Services, U.S. Global Investors

5 MUNIS HAVE SHOWN FAVORABLE SUPPLY-DEMAND DYNAMICS

Over the years, municipal bonds have seen strong demand as investors seek diversification in a perceived safe haven. And yet muni supply has remained relatively subdued compared to other fixed income instruments. From 2000 to the end of 2018, the amount of muni bonds outstanding rose 158 percent, from $1.5 trillion to $3.8 trillion. Compare that to growth in corporate debt outstanding (307 percent) and Treasuries outstanding (353 percent).

Municipal Bond Supply Has Remained Relatively Steady

Outstanding U.S. Bond Market Debt, in Billions



Source: Securities Industry and Financial Markets Association, U.S. Global Investors

TAKE A LOOK AT NEARX

Some may call munis boring, but with global risks mounting, a little "boring" could be a welcome addition to your portfolio.

This is why we strive to keep our **Near-Term Tax Free Fund (NEARX)** as free from drama as we possibly can.

For more than 10 years, NEARX has held steady with an average share price of $2.24. We're proud to have given investors something they could count on, even in times of market volatility and economic uncertainty.

Without compromising modest growth, we've managed to keep the fund's volatility in check by focusing on high-quality, investment-grade muni bonds with relatively short maturities. Shorter-term bonds are less sensitive to interest rates than longer-term instruments.

What's more, NEARX has been offering investors monthly income that's tax-free at the federal and often state and local levels.

NEARX has been an emotionally stable, no drama fund.

To request additional information about NEARX, visit www.usfunds.com/Explore-NEARX