U.S. Global Investors

Investor Alert

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Don't Fear a Pullback in Prices

By Frank Holmes
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U.S. Global Investors


Time to load up on gold and silver?

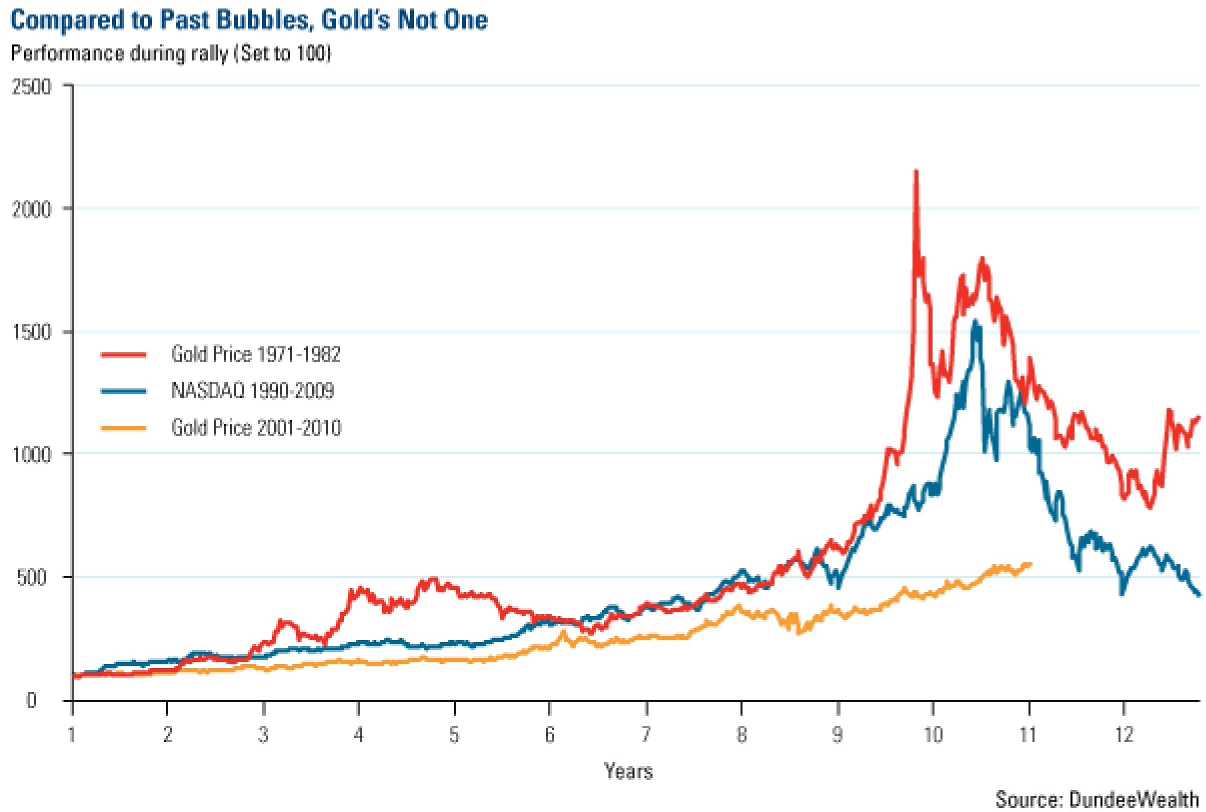
The S&P credit agency sent shockwaves through the global financial system on Monday when it issued a warning on U.S. debt and changed its outlook on the U.S. sovereign credit rating from "stable" to "negative." This sent markets lower and the prices of commodities such as oil rocketing back above $110 per barrel and both gold and silver to new highs.

It should be clear the S&P announcement was just a warning, not a lowering of the U.S. debt rating, which was affirmed at AAA (the highest level possible). The fears quickly subsided and U.S. markets hit fresh three-year highs. Essentially there's only a one-third chance of a downgrade and anyone who's ever listened to the weather man knows that a 33 percent chance of rain means you probably don't need your umbrella.

However, the warning validates what we already know: The U.S. needs a plan to address its debt and budget issues...and fast. Due to the fact that future fiscal austerity measures will likely act as a drag on the economy, we also think this opens the door for a third round of quantitative easing (QE3) heading into next year so we'll have to keep an eye on Bernanke and the Federal Reserve's next move.

These factors will likely produce downward pressure on the U.S. dollar and upward pressure on commodity prices. This is why we emphatically believe the bull cycle for gold still has a long way to run. (Read: The Bedrock of the Gold Bull Rally).

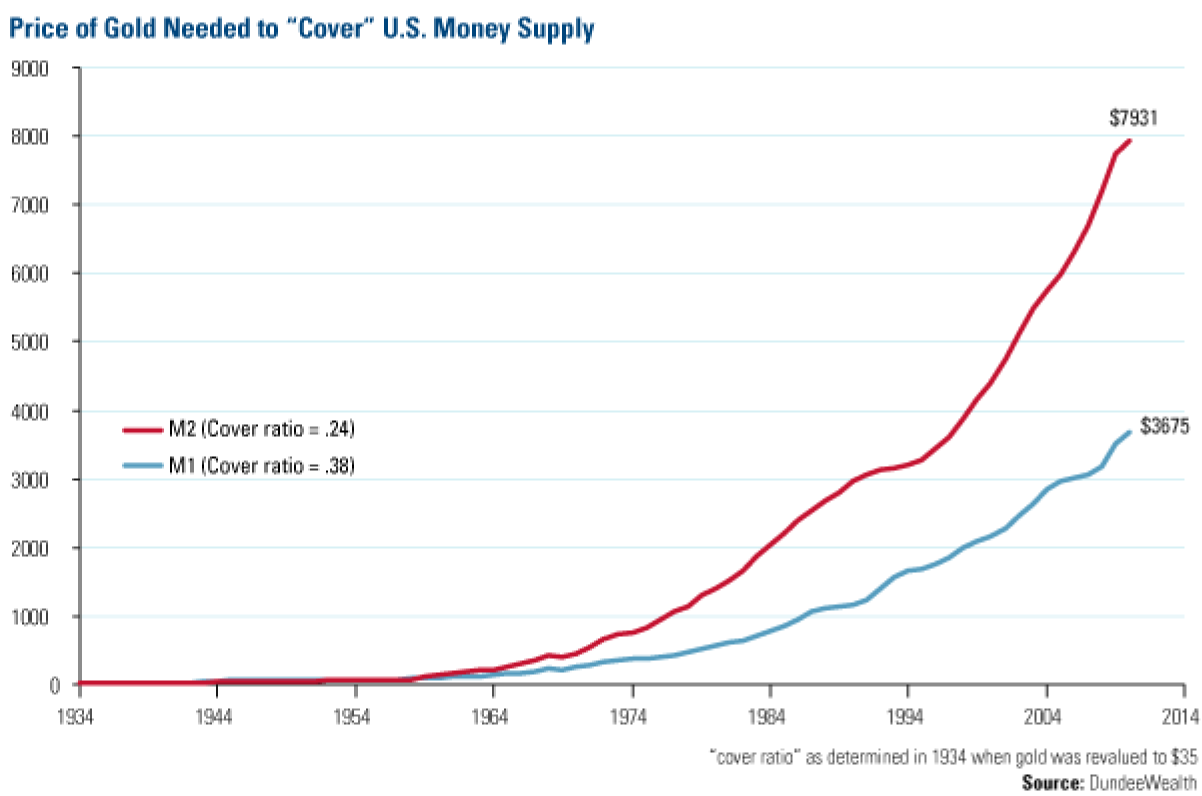
One of the things we recently pointed out was the effect money supply growth can have on gold. Last week, one of my fellow presenters at the Denver Gold Group's European Gold Forum was Dr. Martin Murenbeeld from Dundee Wealth who put the notion of a "gold bubble" in context with the following chart.



If you compare the current bull cycle for gold against gold's run from the 1970s and 1980s, you can see that today's run has been slow and steady. It's also missing the sharp spikes typical of a bubble.

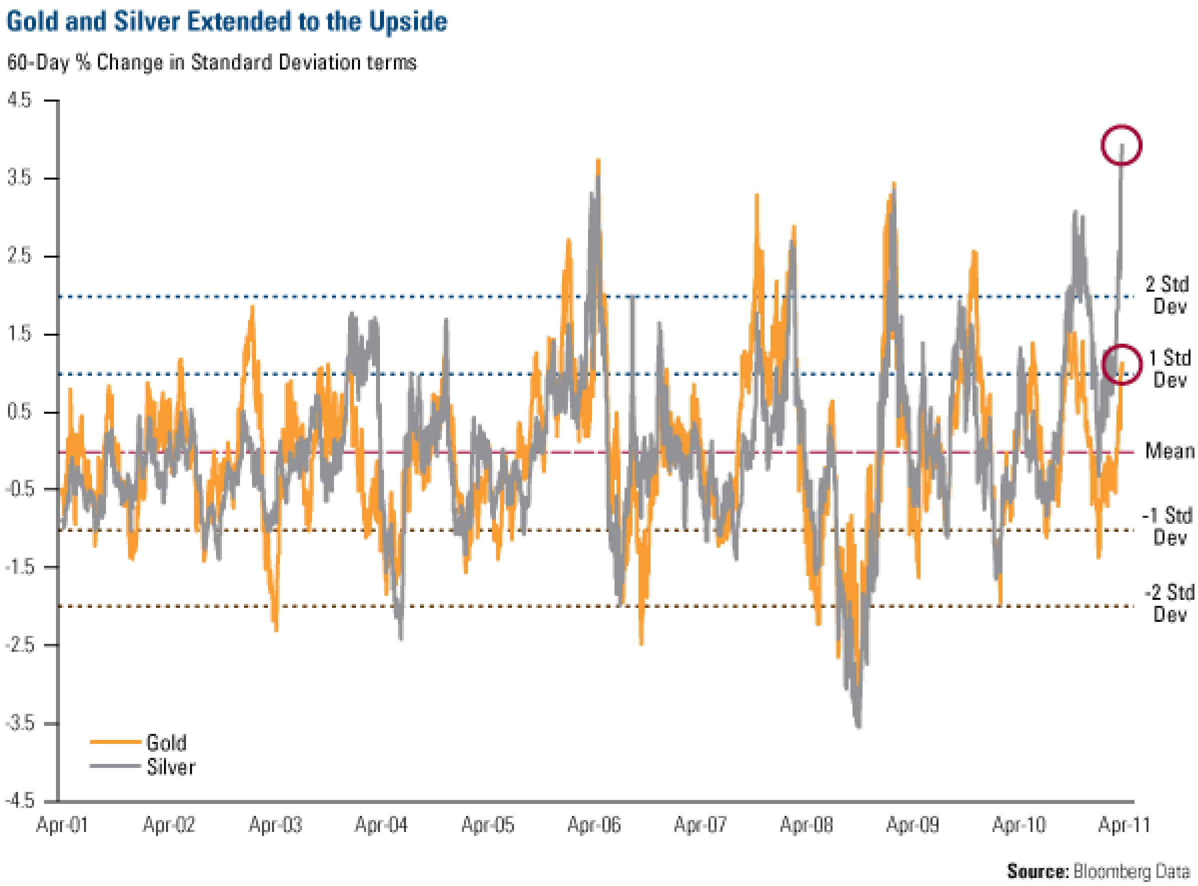
Also, a key difference in this gradual move higher is the growing affluence of the developing world. There people have traditionally turned to gold as a store of wealth and we are seeing that in unprecedented numbers in countries such as China and India.

Dr. Murenbeeld also presented this fascinating chart showing how much gold would need to increase in order to cover the amount of money that has been printed since gold was revalued at $35 in 1934.



Using that as the cover ratio, gold would need to climb all the way to $3,675 an ounce to cover all paper currency and coins. If you use a broader—and more common—measure of money (M2), gold would need to rise all the way to $7,931 in order to cover the outstanding amount of U.S. money supply.

With gold pushing through the $1,500 level and silver above $46, many investors are questioning whether we'll see a pullback. Going back over the past ten years of data, you can see that gold's current move over the past 60 trading days is within its normal band of volatility, up about 7 percent over that time period.



Silver, however, has traveled into extreme territory. Over the past 60 trading days, silver prices have jumped over 58 percent and now register nearly a 4 standard deviation move on our rolling oscillators (see chart). Based on mean reversion principles, odds favor a correction in silver prices over the next few months.

We should be clear: If a correction occurs, this would not mean the rally is over. It would just be a healthy bull market correction and reflect the normal volatility inherent with these types of investments. Investors must anticipate this volatility before participating in these markets.

This volatility also brings along opportunity. We believe we're only halfway through a 20-year bull cycle for commodities and investors can use these pullbacks as an opportunity to "back up the truck" and load up for the long-haul.

Director of Research John Derrick contributed to this commentary.

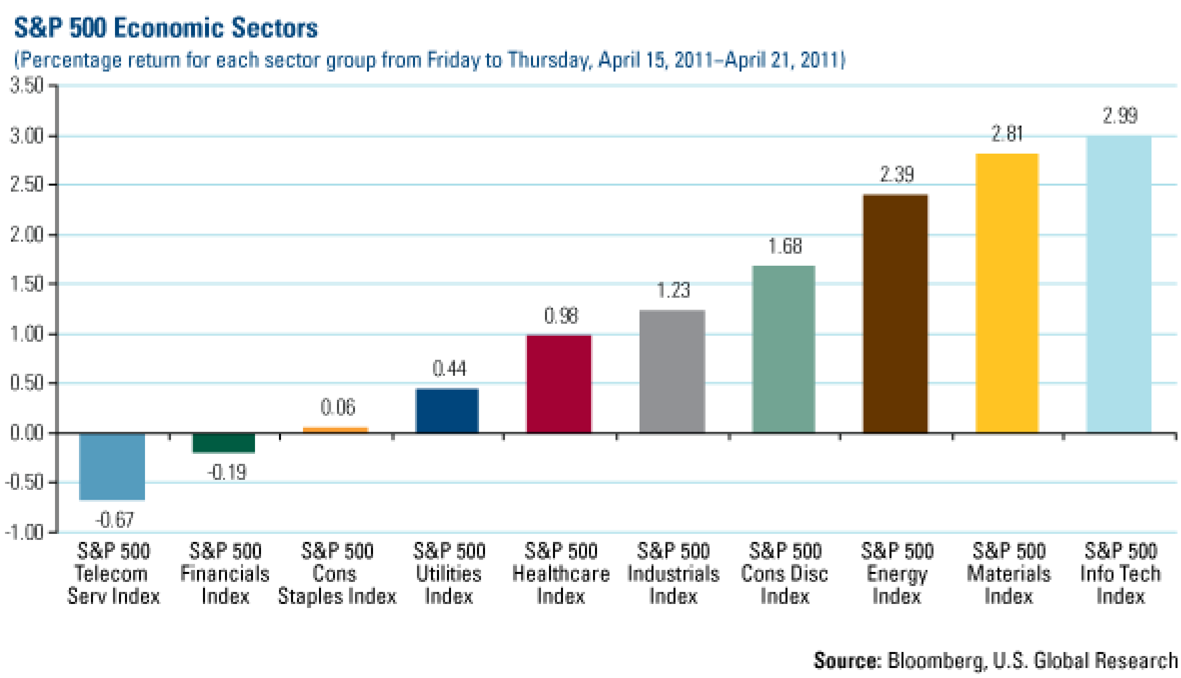
Index Summary

- The major market indices were higher this week. The Dow Jones Industrial Index gained 1.33 percent. The S&P 500 Stock Index rose 1.34 percent, while the Nasdaq Composite increased 2.01 percent.
- Barra Value underperformed Barra Growth as Barra Value finished 0.75 percent higher while Barra Growth gained 1.92 percent. The Russell 2000 closed the week with a gain of 1.28 percent.
- The Hang Seng Composite Index finished higher by 0.79 percent; Taiwan gained 2.75 percent, and the KOSPI increased 2.71 percent.
- The 10-year Treasury bond yield closed 1 basis point lower at 3.40 percent.

Domestic Equity Market

The figure below shows the performance of each sector in the S&P 500 Index for this holiday-shortened week. Eight sectors increased and two decreased. The best-performing sector for the week was technology which rose 2.99 percent. Other top-three sectors were materials and energy. Telecom services was the worst performer, down 0.67 percent. Other bottom-three performers were financials and consumer staples.

Within the technology sector, the best-performing stock was F5 Networks which rose 12.86 percent. Other top-five performers were JDS Uniphase, Apple, Qualcomm and Western Digital.



Strengths

- The consumer electronics group was the best performer for the week, rising 7 percent, led by its single member, Harman International Industries. The company announced that it had been chosen to supply branded audio solutions for certain automotive applications for Geely Motors of China, BYD Motors of China, and for a joint venture formed by BYD Motors of China and Daimler, AG.
- The diversified metals & mining group was the second-best performer, up 7 percent, led by its single member, Freeport McMoRan Copper & Gold. The company reported quarterly earnings which handily exceeded the consensus estimate. Also, the price of copper and the price of gold increased during the week.
- The computer hardware group outperformed, gaining 6 percent. Apple, the largest member of the group, reported quarterly earnings and revenue above the consensus estimates.

Weaknesses

- The motorcycle manufacturer group was the worst performer, down 6 percent on weakness in the group's single member, Harley Davidson. The company reported quarterly earnings above the consensus estimate, but its U.S. sales declined 0.5 percent year-over-year.

- The diversified support service group underperformed, losing 5 percent on weakness in the stock of its largest member, Iron Mountain. The stock had risen strongly over the last month since an activist shareholder laid out proposals to drive operational improvement. On Tuesday the firm laid out its strategic plan for enhancing shareholder value. The stock sold off after the plan was announced, so it appears that the projected improvements may have already been priced into the stock.
- The diversified banks group lost 4 percent. All three members of the group (Wells Fargo, U.S. Bancorp, and Comerica) sold off after reporting earning this week. In general, banks are being challenged by slow revenue growth.

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.

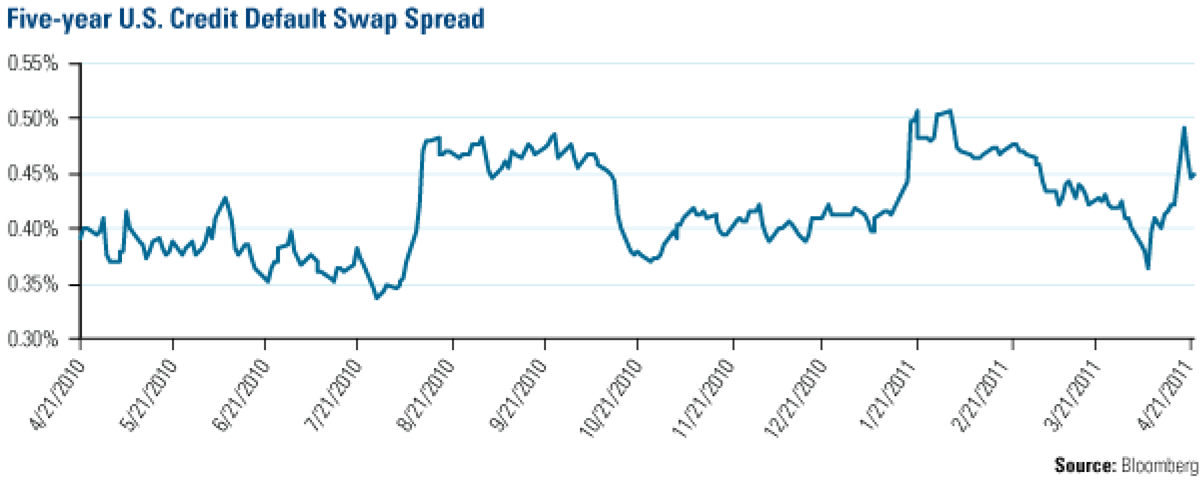
Threats

- Should investors' expectations for an improving economy not come to fruition on a reasonable time frame, it could be a threat to stock prices.
- Quantitative easing currently being implemented by the Federal Reserve might result in unintended consequences.
- The nuclear disaster in Japan creates uncertainly, which is not good for stock.prices.

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

Treasury bonds rallied sharply for the second week in a row sending yields lower across the maturity spectrum. The bond market was responding to weaker economic data but also to news that S&P placed the U.S.'s sovereign AAA credit rating on negative watch with a one-in-three potential of a downgrade in two years if the deficit issues are not adequately addressed. The chart below plots the U.S. 5-year credit default swap (CDS) spread (cost for protection against default in basis points) which spiked on the news early in the week but, as can be seen in the graph, is still within the recent range for this series. The bond market is well aware of the issues facing the country and this news is not really shocking. It validates the current debate in Washington over how to take debt-reducing action in the near future.



Strengths

- Leading economic indicators rose 0.4 percent in March, rising more than expected and a sign that continued economic expansion is likely.
- March housing starts rose 7.2 percent and building permits rose 11.2 percent. Housing starts and permits bounced from very low levels but the numbers are still encouraging.
- March home resales rose 3.7 percent and prices rose 2.2 percent in a sign housing activity may be picking up.

Weaknesses

- S&P placed the U.S. on negative credit watch, which shines a spotlight on the urgency of addressing the country's debt situation.
- Initial jobless claims fell to 403,000 but still remain above the 400,000 level.
- Greek 2-year bond yields rose above 20 percent this week as default appears inevitable.

Opportunities

- In an interesting twist, higher oil prices may actually act as a deflationary force if they materially slow the global economic growth.

Threats

- Budget cuts and austerity measures in Europe and the U.S. are necessary "evils" but will likely be a considerable drag on global growth.

Gold Market

For the week, spot gold closed at $1,504.13, up $17.43 per ounce, or 1.17 percent for the week. Gold equities, as measured by the Philadelphia Gold & Silver Index, rose 3.24 percent. The U.S. Trade-Weighted Dollar Index slid 0.97 percent for the week.

Strengths

- After S&P lowered its rating outlook on the U.S., the gold price surged early in the week and reached an all-time high of $1,507 per ounce Thursday on a weak jobless claims report.
- The University of Texas Investment Management Company, which manages the endowment for the Texas teacher's pension fund, has placed 5 percent of its assets in gold bullion.
- What is significant about this purchase is that the buyer has taken delivery of the physical gold into its own custodial accounts versus relying on an intermediary to hold the bullion through a paper claim on its behalf. This represents a purchase of $1 billion of gold bullion and makes a strong statement about the seriousness of pension funds treating precious metals as a legitimate asset class.

Weaknesses

- Negotiations for higher electricity prices are nearing conclusion, as Zambia expects to agree on higher electricity prices with mining companies this year in a move that is likely to increase costs for miners within the country, a senior industry official said.
- David Rosenberg, chief economist and strategist at Gluskin Sheff, noted debt-strapped governments are pulling in around 9.5 percent more revenue year-over-year, showing the economy may be getting stronger.
- Conversely this increase in government revenue may be a pick-pocket effect of governments' having raised sales taxes, unveiled high income surcharges or boosted top marginal rates. This, along with the hammering the consumer has taken from rising food and fuel costs, is absorbing a near 23 percent share of wages and salaries.

Opportunities

- There is chatter in the foreign exchange market that China may do a surprise 10 percent Yuan revaluation and Greece may strike a deal to cut its bonds by 40 percent. It would appear the Chinese government has guided multinational corporations to expect a 5 percent revaluation in the near term, but 10 percent is a big number and would likely support the gold price.
- Earlier this week the Chinese supported the Spanish bond auction. Notably, the eurozone is China's largest trading partner and it appears they may be more concerned about keeping the euro from collapsing versus a steady decline in the dollar.
- Gold's decade-long bull run could continue in the next four years, though at a slower pace, with positive inflation risks partially cooled by a shift towards more normal economic conditions, analysts polled by Reuters said. The median forecast of 12 analysts polled in the past two days for the average price in 2015 was $1,700 an ounce. "Gold will be underpinned by sovereign debt in the eurozone, United States and Japan, as well as the dollar weakness and further reserves diversification by central banks," said Robin Bhar, an analyst at Credit Agricole.

Threats

- A U.S. law threatens natural treasures including Grand Canyon National Park as mining claims on public lands proliferate, an environmental group said. The 1872 Mining Law, signed by President Ulysses S. Grant, allows mining companies, including foreign-owned ones, to take about $1 billion a year in gold and other metals from public lands without paying a royalty, according to a report by the nonprofit Pew Environment Group. Non-governmental organizations have been very successful in aligning themselves with state and federal regulators that see creating new rules as a means to greater job security.
- Nevada mining operations may soon face three tiers of regulations and legislation aimed at eliminating constitutional caps on net proceeds of mines taxation and clamping down on net proceeds tax deductions. Senate Majority Leader Steven Horsford argued that state regulators need to close mining tax loopholes as soon as possible "so the state gets every dollar it's entitled to."
- Jim Rogers, a well respected commodity expert, said "Silver and gold, yes, will be a bubble someday... There's no question in my mind that all commodities will be a huge bubble someday. But I don't think that bubble is going to happen in 2011. I think it's going to be more likely 2017, or 2018...you know, a few years from now. I'm not picking a year, just saying its a few years away."

Frank Talk *Insight for Investors*

April 20, 2011
Internet: Land of the Free?

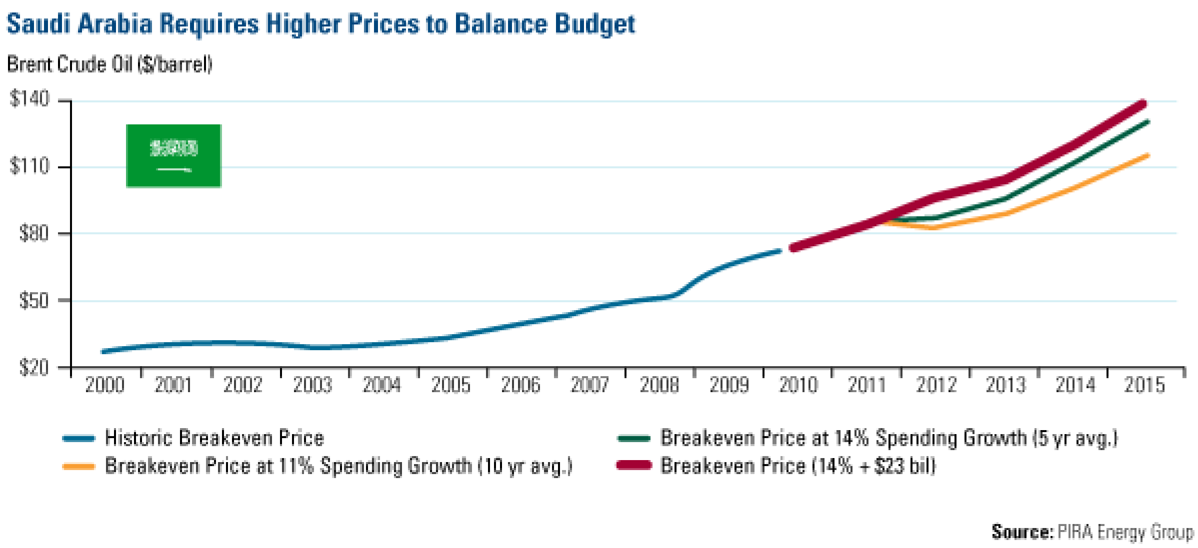
April 18, 2011
Will China's Economy Overheat?

April 15, 2011
Middle East to Spend $80 Billion on Public Transport

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

Global Resources Fund - PSPFX • Global MegaTrends Fund - MEGAX

Energy and Natural Resources Market



Strengths

- China's National Development and Reform Commission (NDRC) reported that China's apparent fuel consumption has gained 12 percent (year-over-year) to an all-time high of 21 million tons in March. Consumption was up 14 percent on a daily basis from February.
- Aluminum shipments by North American service centers have rebounded in March according to Metal Service Centre Institute data. Total U.S. and Canadian shipments were 155 kilotons in March. This is the highest volume since October 2008 and represents a 25 percent month-over-month increase, 29 percent year-over-year.
- Chinese oil demand averaged 9.265 million barrels per day during the first quarter, up 1.1 million barrels on a year-over-year basis. Even at $4 per gallon of gas, gasoline demand in the U.S. maintained levels around 9 million barrels per day, according to the U.S. Department of Energy. This is just over 1 percent higher than the same period last year.
- Chinese exports of finished steel increased sharply in March to 4.8 million tons, from just 2.5 million tons in February and a monthly average of 3.5 million tons in 2010, according to a report.
- The National Bureau of Statistics reported this week that China's refined copper production hit a record of 470 kilotons in March, up nearly 6 percent from the previous peak in December 2010.
- Improving labor market conditions helped U.S. consumer confidence increased in April after hitting a 16-month low in March. The U.S. economy has added jobs for six straight months and the unemployment rate has declined to a two-year low with the University of Michigan's Consumer Confidence Index rising to 69.6 this week.
- Indonesia reported the highest recorded tin for export numbers this week. Tin surveyed for export prior to shipment (as required by the Ministry of Trade) increased by 38 percent year-over-year to 9,051 tons in March.

Weaknesses

- After third quarter production fell 16 percent due to heavy rainfall in Australia and a mine shutdown in the Ivory Coast, Newcrest Mining cut its production forecast a second time. Output may total 2.82 million ounces for the 12 months ending June 30, 2011. This is lower than earlier forecasts the company made in January which ranged from 2.85 to 2.95 million ounces.
- The China Iron and Steel Association this week said that steel prices may rise because of higher raw material costs as demand for alloy accelerates. According to China's NDRC, many domestic mills have weaker profit margins, around 3 percent, now that the spot price for 63 percent grade iron ore has reached $185 per metric ton. This has forced some Chinese mills to stop purchasing imported iron ore on the spot market.
- Chinese Central Bank Governor Zhou Xiaochuan said the tightening of China's economy will continue in the battle against rising inflation. In a step toward this goal, the reserve ratio for Chinese banks is being raised by half a point. This comes after interest rates were raised just two weeks ago.

Opportunities

- India plans to import 35 million tons of coal for state-run power companies this fiscal year.
- The Chinese State Grid Corporation of China (SGCC) plans to buy 1.6 million tons of aluminum, 1.12 to 1.25 million tons of copper and 5 million tons of steel. This would be done in conjunction with the many power grid projects currently ongoing or planned in China.
- According to Bloomberg news this week, China's Sinopec halted refined product exports to ensure domestic supply. Private refiners in China have cut back production as high oil prices and domestic retail price caps weigh on profits.
- The International Energy Agency (IEA) said last week that Japan's oil demand may grow 30,000 barrels per day from a year earlier. This compares to a decline of 120,000 barrels per day that was forecasted previously.
- Reports this week stated that South Korea's POSCO will raise domestic steel prices by 16 to 18 percent, the first hike in 10 months and higher than market expectations.
- Last week China's largest electricity distributor, State Grid Corp., reported that China's power demand may gain 12 percent this year.
- Global steel consumption is expected to rise 5.9 percent this year and 6 percent in 2012, according to the World Steel Association.

Threats

- The China Iron and Steel Association said that steel prices may rise because of higher raw material costs as demand for alloy accelerates.
- China will limit the expansion of nonferrous metals production to 8 percent per year, according to the former head of the China Nonferrous Metals Industry Association. The combined output of metals, including copper, aluminium and zinc will be kept within 41 million metric tons between 2011 and 2015 as part of the 12th five-year plan.
- Japan Iron and Steel Federation Chairman Eiji Hayashida told reporters that the earthquake has had a serious impact on Japanese manufacturers and domestic demand will likely fall even if there is demand for restoration and reconstruction. Customers, including carmakers, have slashed production following the earthquake.
- Iron ore inventories at 19 main Chinese ports are at their highest levels of the past several years, totalling 84.52 million tons, the NRDC says.
- Iran's oil minister said this week that an increase in OPEC crude output would not succeed in bringing down global oil prices.

China Region Fund - USCOX • Eastern European Fund - EUROX
Global Emerging Markets Fund - GEMFX

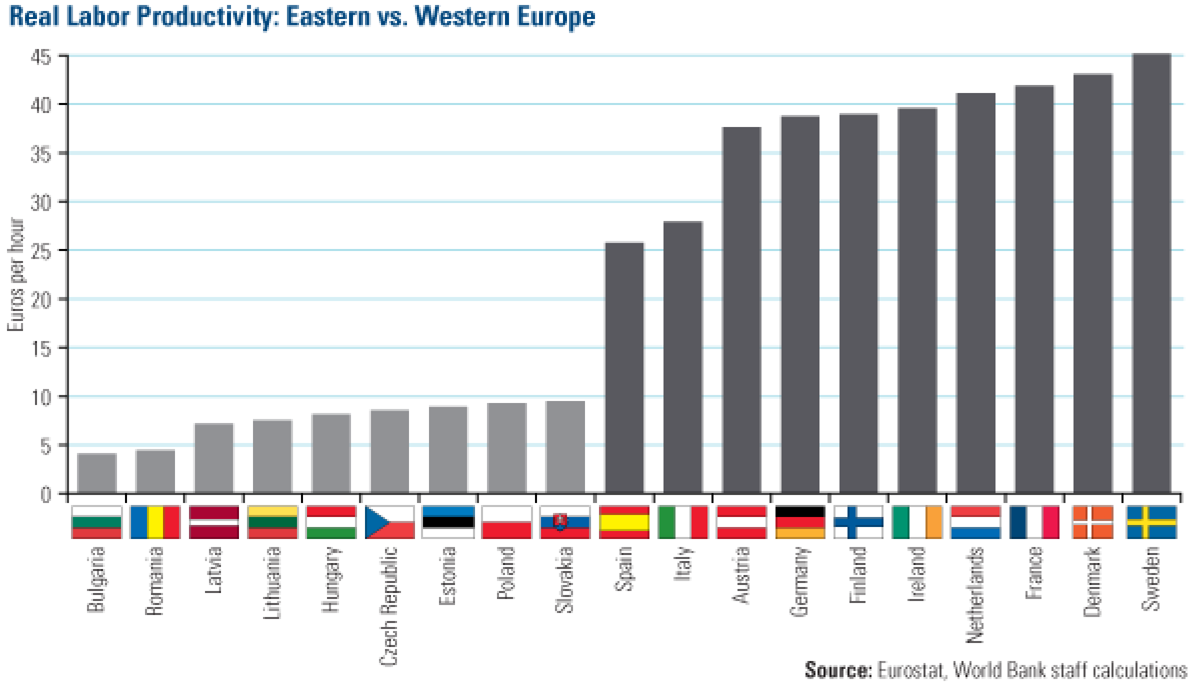
Emerging Markets

Strengths

- China has announced this week that it raised the minimum income tax threshold to Rmb 3000/month from Rmb 2002/month. This change is expected to help boost consumer spending. It will also help increase purchasing power in the wake of rising food prices.
- According to news website Hexun.com, Zhou Wangjun, a deputy director of NDRC's pricing department, has said China's average wages will grow 15 percent annually in the five years through 2015. Wage increases will help China to become a consumption country.
- The China State Council met on Wednesday to discuss fine points of reforms in relation to interest rate liberalization and a natural resources tax. Also in the meeting, China's premier Wen Jiabao announced an additional $2.8 billion will be invested to improve shantytowns as part of a social housing program.
- China telecom carriers have increased their capital expenditures for 2011. Total capital expenditure budgets are Rmb 132.4 billion, 74.8 billion and 50 billion for China Mobile, China Unicom and China Telecom, respectively. We expect telecom, 3G and 4G equipment providers and installation service companies to greatly grow their revenue and profits again this year.
- Both Korea and Japan financial authorities stood up to support U.S. Treasuries after S&P placed a negative outlook on the U.S. debt rating.
- Argentina's industrial production grew by 8.5 percent during March.
- The Polish zloty had its strongest gain in two months after the Polish government said it would use some 14 billion euros it expects to receive from the European Union this year to buy the currency in order to reduce the need for higher interest rates.

Weaknesses

- Over the week, the People's Bank of China (PBOC) has raised the bank's required reserve rate (RRR) another 50 basis points. The RRR is now 20.5 percent for large banks in China. The RRR is not expected to impact the banks on the liquidity they need for lending since the hike is basically used to withhold the proceeds of matured PBOC notes in April. However, authorities in the PBOC have said China still has room to raise RRR further. The Asian stock markets have shrugged off the news.
- The Korean National Assembly has passed a bill to levy a capital tax on foreign currency liabilities on banks' balance sheets at a rate of 0.2 percent.
- Shares of America Movil (AMX) have been under pressure following the telecom regulator's ruling that the company had engaged in monopolistic practices and imposing a $1 billion fine on the company. Market participants expect AMX to challenge this ruling in courts and the issue may not be resolved for years to come.
- Real labor productivity in Eastern Europe still lags that of workers in Western Europe by a significant margin, according to a report from the World Bank.



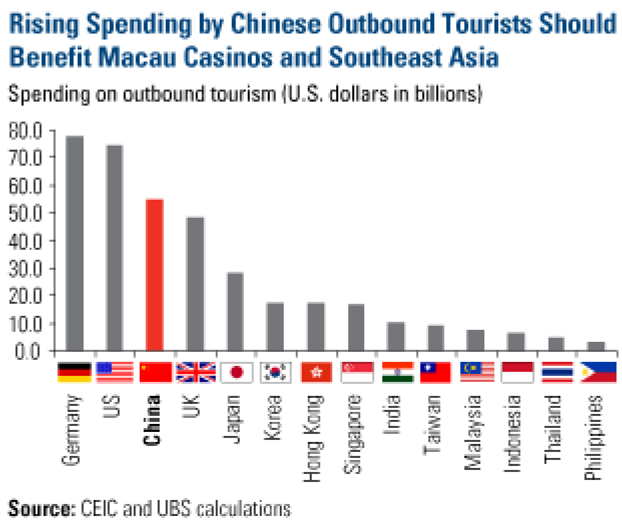
Opportunities

- Xia Bin, a monetary advisor to the PBOC, has recently suggested that RMB could be revalued to its fair value by one move. Directionally, RMB has been appreciating faster recently.

- An appreciating RMB is a facilitator to Chinese outbound tourism. See the chart below showing increasing outbound spending by Chinese tourists. In 2010, Chinese tourists spent $55 billion overseas. This could rise to $190 billion by 2015. We have seen tourism-related companies perform well. Macau's March visitor arrivals from China have increased 18 percent. We expect hotels and entertainment in Macau and Hong Kong to capture a large share of the booming outbound China tourism.

- Cuba has introduced a series of economic reforms that include elimination of various state subsidies and allowing citizens to buy and sell real estate. We believe it is likely that the country will gradually gravitate towards the Chinese economic model that will see the growth of private enterprises with a guiding hand of the state.

- The World Bank has predicted that Polish GDP will grow by 4 percent this year and by 4.2 percent next year, making it one of Europe's growth engines. Romania is expected to lead the pack in 2012 with 4.4 percent growth. Slovakia is also expected to see strong growth at 4.3 percent in 2012. "The performance of Slovakia and Poland is set to remain solid thanks to low pre-



crisis imbalances, deep integration into European production networks, EU funds, and, in the case of Poland, solid consumption," according to the World Bank.

Threats

- Rumor has it that some hedge funds have gathered in Hong Kong ready to short China's real estate bubble and inflationary asset price in general, expecting that China's flying economy will experience a hard landing. However, China's central bank governor Zhou Xiaochun, while giving a speech at Qinghua University this week, said that short plans cannot be implemented simply because China's capital market has a firewall to insulate speculation.

Armenia's Nuclear Plant
Source: The Jamestown Foundation

- Market participants will nervously await the first opinion poll on April 24 in the presidential race in Peru between Keiko Fujimori and Ollanta Humala.
- Armenia's nuclear power plant is operating the first generation Soviet reactors (built without containment vessels) well past their retirement age and lies on some of the world's most earthquake prone terrain, according to National Geographic. The combination of design and location make the facility a danger to the entire region.

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(%)
10-Yr Treasury Bond	3.40	-0.01	-0.35%
S&P Basic Materials	251.89	+6.88	+2.81%
S&P Energy	586.74	+13.68	+2.39%
XAU	225.79	+7.08	+3.24%
Russell 2000	845.64	+10.66	+1.28%
Nasdaq	2,820.16	+55.51	+2.01%
S&P BARRA Growth	699.65	+13.18	+1.92%
S&P 500	1,337.38	+17.70	+1.34%
S&P BARRA Value	628.90	+4.70	+0.75%
S&P/TSX Canadian Gold Index	412.88	+7.24	+1.78%
DJIA	12,505.99	+164.16	+1.33%
Hang Seng Composite Index	3,425.02	+26.96	+0.79%
Gold Futures	1,504.50	+18.50	+1.24%
Natural Gas Futures	4.42	+0.22	+5.14%
Oil Futures	112.25	+2.59	+2.36%
Korean KOSPI Index	2,198.54	+58.04	+2.71%

Monthly Performance

Index	Close	Monthly Change($)	Monthly Change(%)
S&P Energy	586.74	+13.44	+2.34%
10-Yr Treasury Bond	3.40	+0.07	+2.10%
DJIA	12,505.99	+487.36	+4.06%
S&P BARRA Value	628.90	+13.82	+2.25%
S&P 500	1,337.38	+43.61	+3.37%
S&P Basic Materials	251.89	+12.97	+5.43%
Nasdaq	2,820.16	+136.29	+5.08%
S&P BARRA Growth	699.65	+30.04	+4.49%
Russell 2000	845.64	+36.98	+4.57%
Korean KOSPI Index	2,198.54	+184.88	+9.18%
Oil Futures	112.25	+8.25	+7.93%
Gold Futures	1,504.50	+75.40	+5.28%
S&P/TSX Canadian Gold Index	412.88	+23.89	+6.14%
Natural Gas Futures	4.42	+0.17	+3.90%
XAU	225.79	+16.04	+7.65%
Hang Seng Composite Index	3,425.02	-332.01	-14.83%

Quarterly Performance

Index	Close	Quarterly Change($)	Quarterly Change(%)
10-Yr Treasury Bond	3.40	+0.06	+1.71%
S&P Energy	586.74	+62.45	+11.91%
Natural Gas Futures	4.42	-0.14	-3.09%

S&P Basic Materials	251.89	+14.47	+6.09%
S&P BARRA Value	628.90	+25.98	+4.31%
Russell 2000	845.64	+58.75	+7.47%
Nasdaq	2,820.16	+94.80	+3.48%
S&P 500	1,337.38	+55.46	+4.33%
Korean KOSPI Index	2,198.54	+82.85	+3.92%
DJIA	12,505.99	+680.70	+5.76%
S&P BARRA Growth	699.65	+29.18	+4.35%
Oil Futures	112.25	+21.39	+23.54%
Gold Futures	1,504.50	+130.60	+9.51%
XAU	225.79	+20.23	+9.84%
Hang Seng Composite Index	3,425.02	+7.04	+0.21%
S&P/TSX Canadian Gold Index	412.88	+32.05	+8.42%

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.

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.

Holdings as a percentage of net assets as of 03/31/11:
F5 Networks: 0.00%
JDS Uniphase: All American Equity Fund 1.10%
Apple: All American Equity Fund 2.76%, Holmes Growth Fund 2.36%
Qualcomm: All American Equity Fund 1.39%
Western Digital: 0.00%

Harman International Industries: 0.00%
Geely Motors: 0.00%
BYD Motors: 0.00%
Daimler, AG: 0.00%
Freeport McMoRan Copper & Gold: Global Resources Fund 0.72%, China Region Fund 1.57%, All American Equity Fund 1.47%, Holmes Growth Fund 1.25%, Global MegaTrends Fund 1.34%, Global Emerging Markets Fund 1.31%
Harley Davidson: 0.00%
Iron Mountain: 0.00%
Wells Fargo: 0.00%
U.S. Bancorp: 0.00%
Comerica: 0.00%
Transocean: 0.00%
Codelco: 0.00%
Eskom: 0.00%
China Mobile: 0.00%
China Unicome: 0.00%
China Telecom: 0.00%
America Movil: Global MegaTrends Fund 1.96%, Global Emerging Markets Fund 1.82%
Sinopec 0.00%
POSCO: Global Resources Fund 0.98%, China Region Fund 1.53%
State Grid Corp. 0.00%
Newcrest Mining: 0.00%

*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.

Standard deviation is a measure of the dispersion of a set of data from its mean. The more spread apart the data, the higher the deviation. Standard deviation is also known as historical volatility.
M1 Money Supply includes funds that are readily accessible for spending.
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.

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