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U.S. Global Investors
Investor Alert

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Managing Expectations

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

Part I of III: The Importance of Cycles in the Investment Management Process

Elon Musk, CEO of Tesla Motors, told the Guardian last year: "The lessons of history would suggest that civilizations move in cycles. You can track that back quite far—the Babylonians, the Sumerians, followed by the Egyptians, the Romans, China. We're obviously in a very upward cycle right now and hopefully that remains the case."

Similarly, financial markets are influenced by relatively predictable cycles, a lesson we at U.S. Global Investors rely on to help us manage expectations and be effective stewards of your money. This is a theme I've frequently written about and discussed in investor presentations, one of which, "Anticipate Before You Participate," is a classic that I often use to remind investors of these timeless principles.

Precedent plays a big role in our decision-making process just as it does in our day-to-day lives. I don't know about you, but I know not to wait until the rains have flooded the streets ankle-deep before I buy an umbrella.

Like the phases of the moon, all cycles contain their own unique rhythms. A good surfer knows how to manage risk on the tides created by the moon.

A keen awareness of the ebbs and flows of historical and socioeconomic conditions, on both the macro and micro scales, allows our investment management strategy to be more proactive than reactive. Although reacting to sudden and unexpected developments is often necessary—Russia is a good example—our team tries to mitigate their impact on our funds by leveraging our knowledge of the complex interplay and overlap of important cycles, from the short-term to very long-term.

Weather - A Cycle in One Season

Just as the moon's gravitational pull changes the ocean tides, so too does the weather, both good and bad, influence the behavior of the market.

Case in point: a strong link exists between El Niño, the weather pattern, and global asset prices. Steady rains are good for Brazilian coffee output, for example, but bad for the Chilean metals industry. The reason for this is, when the rain is heaviest, access to mountainous mining regions is blocked.

Here in the U.S., an unusually brutal winter at the beginning of this year put a damper on consumer spending. Sales were pummeled, as many consumers, especially in the Northeast, were disinclined to shop after spending their days shoveling bucketsful of snow off their front lawns. The ISM Manufacturing Index in January closed at a weak 51.3, below economists' expectations of 56.0. Car sales were way down.

On the bright side, stock trading tends to be more spirited on sunny days than cloudy days. In a thought-provoking paper titled "Reassessment of the Weather Effect: Stock Prices and Wall Street Weather," University of California-Berkeley student Mitra Akhatari finds a significant correlation between sunshine in New York City and a bump in stock prices.

> *If it is the case that people tend to evaluate future prospects more optimistically when they are in a good mood than when they are in a bad mood... then sunnier days are associated with investors being more willing to take on risky investments.*

The reverse also seems to be the case, according to Akhatari. On overcast days, investors' less-than-peachy mood invariably leads to uninspired trading.

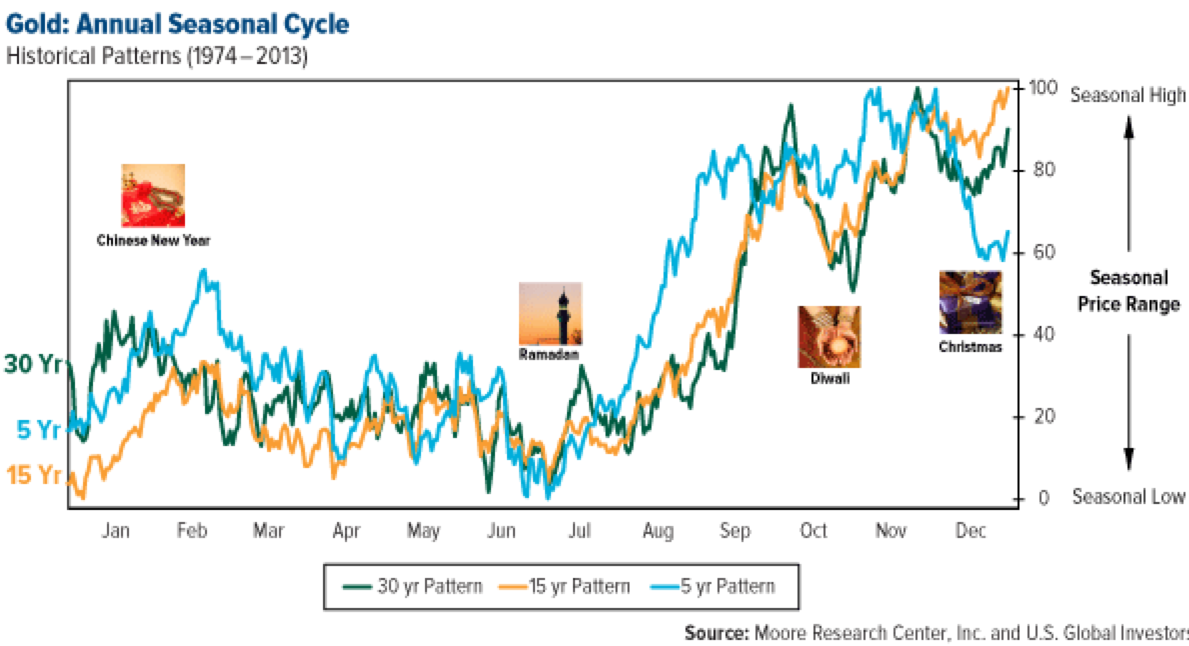
Or even calamity, as was the rare case on the morning of October 29, 1929, Black Tuesday, when autumn clouds blotted out the sun's warmth and light.

This doesn't mean that every time the sky turns gray, the market suffers. Some people are better than others at separating their emotions from their investment decisions.

In any case, let's all take a moment to appreciate the fact that the U.S.'s main stock exchange is not located in Seattle.

Gold Seasonal Trends - One Year Cycle

Gold is a classic example of a commodity that rotates through seasonal cycles year after year. I've written at length on the ways in which gold behaves in response to international festivals and holidays such as the Chinese New Year and Ramadan. You can look back five, 15 and 30 years to spot the patterns the precious metal dependably follows, reaching annual highs late in the year during Diwali and Christmas when gold jewelry demand spikes.



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Another cyclical indicator—or theory, I should say—we use to track the performance of gold is mean reversion. Mean reversion is the idea that, eventually, a commodity will revert back to its historic value, whether it's currently sailing in the stratosphere or crawling through the weeds.

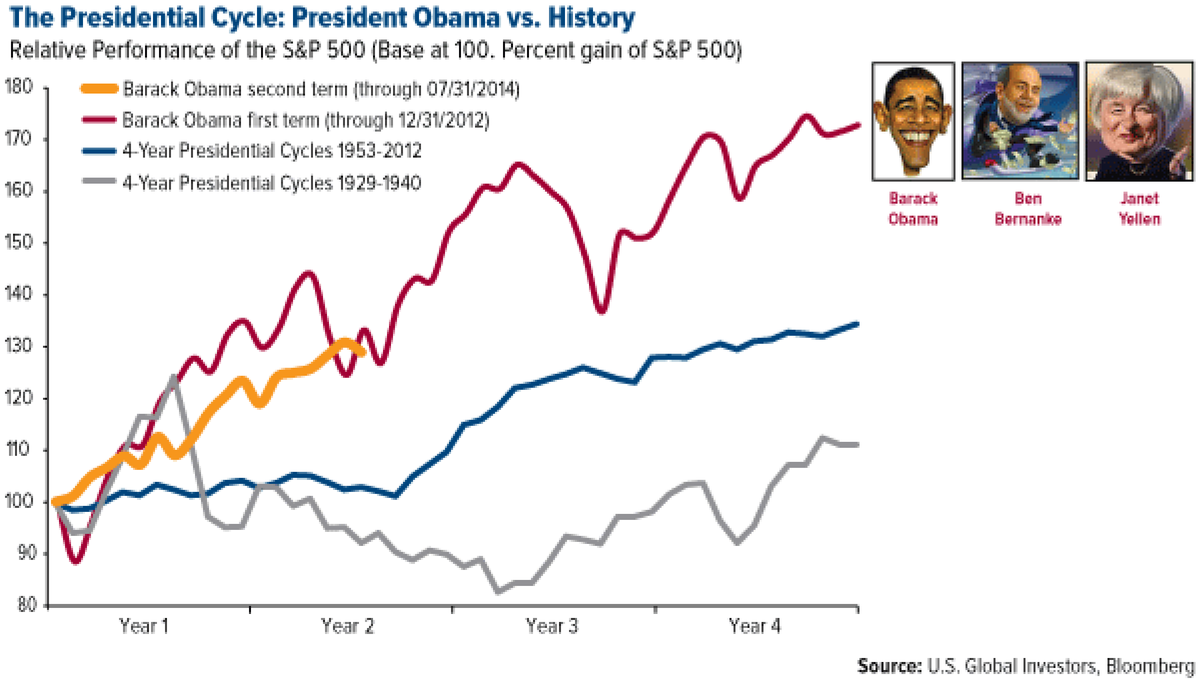
What goes up must come down, as they say, and we saw this play out last year when gold plunged 28 percent after an exhilarating years-long bull run. Although many traders let go of their bullion and gold stocks, we suspected, based on historical data, that the metal would soon rebound, which it did.

Presidential Election Cycles - Four to Eight Years

At U.S. Global we like to say that government policy is a precursor to change, and no person in the nation has more control over policy than the president. The decisions he makes and actions he takes have far-reaching consequences in markets both domestic and international, more so than perhaps even he can anticipate.

The current occupant of the White House, Barack Obama, began his presidency by injecting $700 billion into the economy, a move whose success experts are still debating. We've also seen several rounds of quantitative easing (QE) to loosen money and facilitate loan-taking.

Largely as a result of these policies, the S&P 500 Index during both of Obama's terms has performed above the average four-year presidential cycle. Early last month, furthermore, the Dow Jones Industrial Average hit a record high of 17,000.



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Just over the horizon are midterm elections, a time when the market historically becomes bullish. According to the most recent Stock Trader's Almanac:

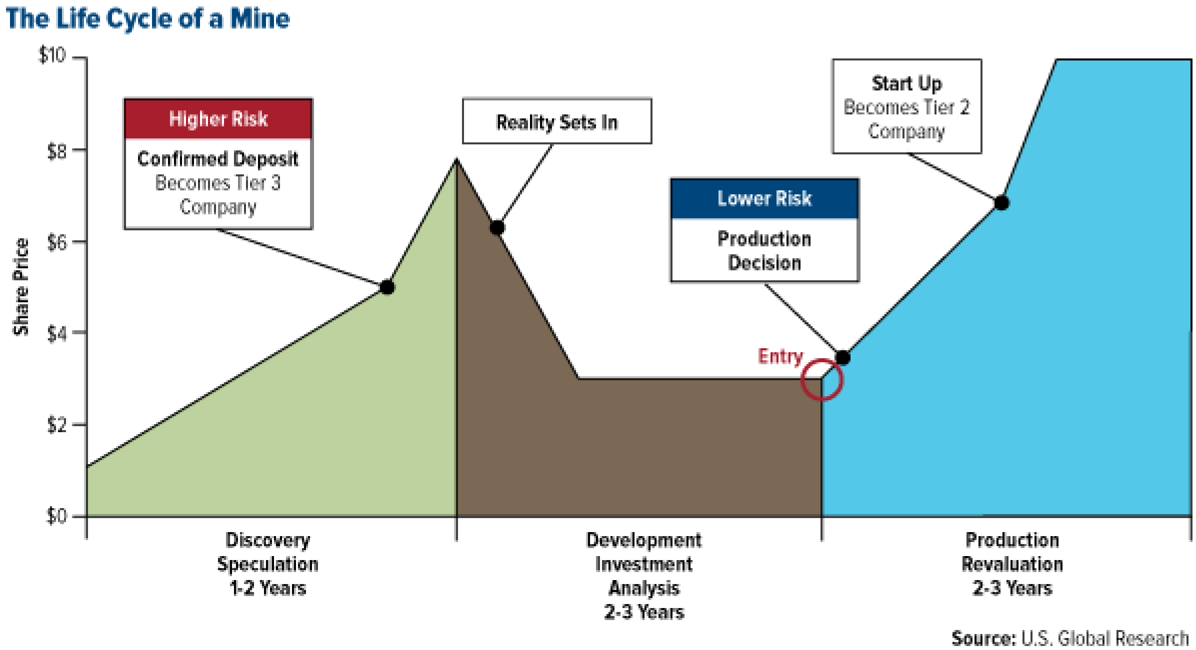
> *An impressive 2.7% has been the average gain during the eight trading days surrounding midterm election days since 1934. This is equivalent to roughly 52 Dow points per day at present levels. There was only one losing period in 1994 when the Republicans took control of both the House and the Senate for the first time in 40 years.*

Lifecycle of a Mine - Multiple Years

Not only is it important for us to understand the seasonality of the commodity itself, it's equally important to be aware of the stages a mine must proceed through before it becomes operational. As I write in The Goldwatcher: Demystifying Gold Investing:

> *We strongly believe in using cycles to better manage risks and expectations, and we see this as a way for others to manage their emotions when it comes to investing. Knowing where a company is on the mine lifecycle can be a tremendous asset to an investor in gold equities who seeks to minimize risk and optimize performance. It's one more tool the investor can use to try to manage volatility and his own market expectations.*

Take a look at the graphic below. Years can and do divide the time when a mine is discovered and when production begins. It's imperative to know which stage of its lifecycle it's in to make a better-informed decision on whether to invest, withdraw or wait.



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When a mine is first discovered, excitement raises the price of the stock. This is when investment is most speculative since only one in 2,000 companies finds at least a 1 million-ounce deposit. Once reality sets in and miners are faced with the notion that the metal or mineral—assuming there is any—probably won't be exhumed for some time, prices tumble. Years later, after production finally begins, stocks see another uptick. This is when the equity is at its lowest risk factor.

To manage risk and expectations, it's critical for us to know where we are in the cycle of the mine. We prefer to confirm this in person, and so we often visit projects in locations such as Colombia, Panama, West Africa and others. Most recently, I had the pleasure of dropping by Gold Mountain Mining Corp.'s Elk Project in British Columbia, which I wrote about last week.

Part II (Coming Soon)

In the second part of this series on managing expectations, I'll discuss other tools and theories our investment team uses on a daily basis such as oscillators and sigma moves. Our models include fundamental value drivers and proprietary statistical algorithms to manage short-term volatility for one day to 60 trading days.

Look for it next week!

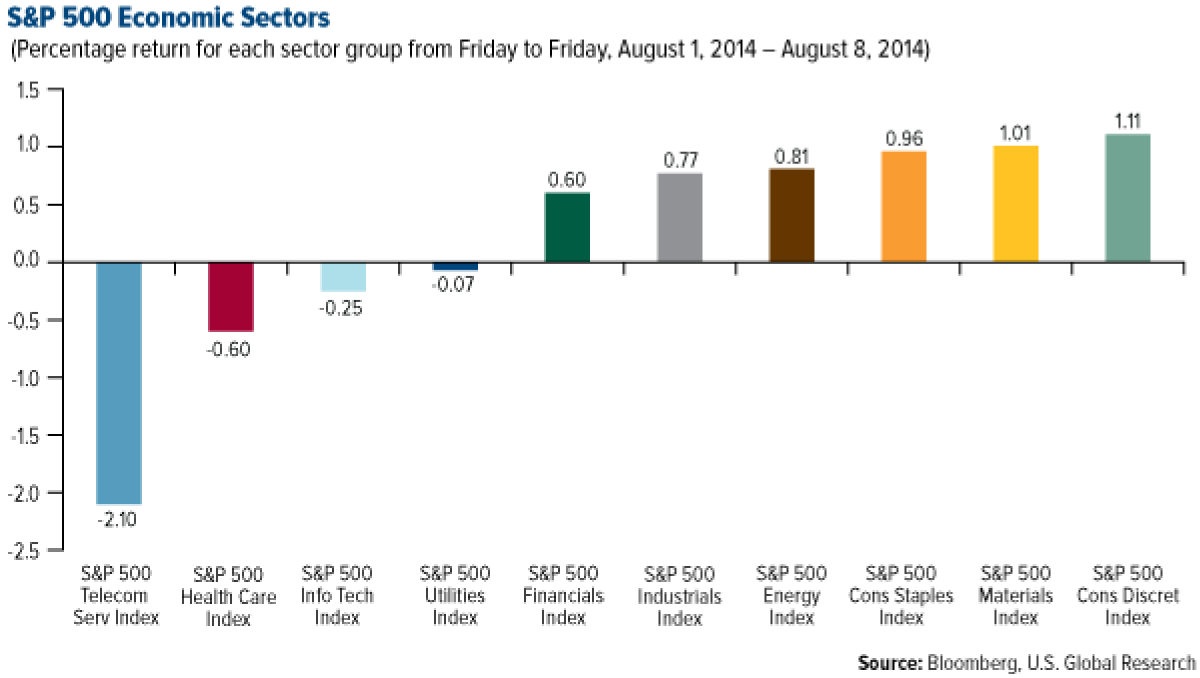
Every asset has its own DNA of volatility.

Index Summary

- Major market indices finished higher this week. The Dow Jones Industrial Average rose 0.37 percent. The S&P 500 Stock Index gained 0.33 percent, while the Nasdaq Composite Index advanced 0.42 percent. The Russell 2000 small capitalization index rose 1.48 percent this week.
- The Hang Seng Composite Index fell 0.70 percent; Taiwan dropped 1.95 percent and the KOSPI Composite Index declined 2.03 percent.
- The 10-year Treasury bond yield fell seven basis points to 2.42 percent.

Domestic Equity Market

After having the worst week of the year last week, the S&P 500 Index was able to muster a modest bounce back. Consumer discretion, staples and materials led the way, gaining roughly 1 percent, while telecom stocks fell more than 2 percent. The market was able to shake off the geopolitical worries and poor European economic data this week and grind out a modest gain.



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Strengths

- The consumer discretion sector outperformed this week and has shown some relative strength in recent weeks after a poor start to the year. It remains the worst performing sector year-to-date (YTD). Within consumer discretion, the retail-oriented companies tended to outperform with L Brands, Gap and Lowe's among the sector leaders. These stocks have lagged the market this year but made up some ground this week on better than expected July same store sales data.

- The materials sector also outperformed, with Allegheny Technologies and Newmont Mining leading the way. Allegheny Technologies rose on titanium supply worries, as a Russian company is a major world supplier of aircraft parts. Newmont Mining rallied as gold stocks generally had a strong week.

- First Solar was the best performer in the S&P 500 Index this week, rising 9.35 percent. The company reported quarterly earnings that generally disappointed but maintained full-year guidance. The company did appear closer to spinning off a portion of the business, which was well received and is likely the primary driver of performance this week.

Weaknesses

- The telecom services sector was the worst performer this week. Sprint walked away from a potential merger with T-Mobile, causing Sprint to fall by more than 30 percent, which weighed on the entire group.

- The health care sector also underperformed this week. This was largely driven by company-specific earnings disappointment, such as Mylan and Actavis.

- Walgreen Co. was the worst performer in the S&P 500 Index this week, falling by 13.94 percent. The company announced it is no longer pursuing an overseas reorganization, even though it is buying the 55 percent of Swiss retailer Alliance Boots that it doesn't already own.

Opportunities

- While earnings season is winding down, we still have quite a few significant reports out next week. Key companies reporting include Priceline Group, Cisco Systems and Wal-Mart.

- The utilities sector sold off sharply over the past month or so and began to show new signs of life this week. The sector is still one of the best performers YTD.

- The path of least resistance for the market appears higher as this "classic" bull market phase of grinding higher with low volatility remains intact for now.

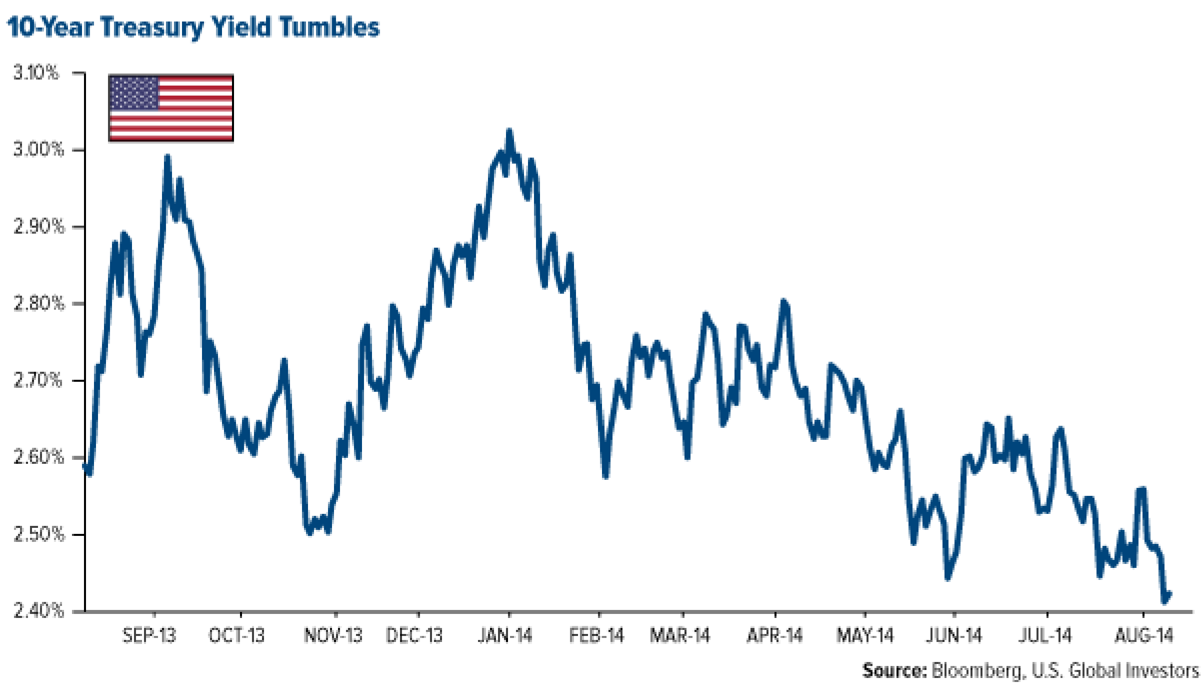
Threats

- Volatility has been remarkably low. This bull market has been an abnormally smooth ride. This calmness won't last forever, and late summer through early fall has traditionally been more volatile.
- Key retailers report next week, with Wal-Mart giving us a read on the U.S. consumer and details on its turnaround story.
- Geopolitical tensions are on the rise with the downing of a civilian jetliner in Ukraine, a ground war in Gaza and more Russian sanctions. The market has been able to shrug off these events so far, but an escalation could be the catalyst for a long-awaited correction.

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

The Economy and Bond Market

Treasury yields shifted lower this week as European economic data was weaker than expected, increasing the odds that the European Central Bank (ECB) will introduce additional stimulus such as quantitative easing (QE). The 10-year treasury yield moved to its lowest level in more than a year as European yields continue to fall to new lows, apparently dragging U.S. treasury yields down with them. The German 2-year yield briefly dipped into negative territory this year, highlighting the deflation fears that still exist in Europe.



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Strengths

- Bonds rallied this week as the U.S. bond market appears relatively attractive globally. European bond yields sunk to new lows and treasuries also benefitted from a flight to quality as geopolitical turmoil continues.
- The non-Manufacturing ISM Index hit its highest level since 2005. It appears the economy may be

picking up steam.

- July same store sales rose 4.8 percent as back-to-school shopping got off to a strong start.

Weaknesses

- German factory orders fell 3.2 percent in June. Industrial production rose only 0.3 percent, well below expectations.
- Italy is back in a recession after posting a small decline in second quarter GDP.
- Junk bond funds experienced more than $7 billion in outflows last week as concerns build on valuations in the high-yield bond sector.

Opportunities

- Geopolitical tensions remain elevated with the downing of a civilian jetliner in Ukraine, a ground war in Gaza and more Russian sanctions. Bonds could benefit from a flight to safety in this environment, which is largely what occurred over the past several weeks.
- European data has been weaker than expected, and talk of additional ECB action is not only taking European yields lower but also dragging U.S. yields down with them.
- With key global central banks back into easy policy mode, and inflation trending lower in many parts of the world, the path of least resistance for bond yields likely remains down.

Threats

- The economy does have some positive momentum and appears poised to continue to build on that as we move solidly into summer. With the ECB and Bank of Japan taking the global lead in easy monetary policy, the Federal Reserve may transition to a tighter policy sooner than many expect.
- Economic data has been relatively strong. The market could refocus on that next week, with retail sales and industrial production the two key indicators to watch, potentially pressuring bond prices.
- Several Fed speakers in recent weeks have indicated a shift in Fed thinking toward normalizing interest rates. The threat here is that this occurs sooner than the market currently expects, which is mid-2015.

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

Gold Market

For the week, spot gold closed at $1,311.60, up $18.27 per ounce, or 1.41 percent. Gold stocks, as measured by the NYSE Arca Gold Miners Index, rose 2.21 percent. The U.S. Trade-Weighted Dollar Index rose 0.11 percent for the week.

Date	Event	Survey	Actual	Prior
Aug 7	UK BoE Interest Rate Decision	0.5%	0.5%	0.5%
Aug 7	ECB Main Refinancing Rate	0.15%	0.15%	0.15%
Aug 7	U.S. Initial Jobless	304K	289K	303K

	Claims			
Aug 8	China July Trade Balance	27.4B	47.3B	$31.6B
Aug 12	Germany August ZEW Survey Expectations	17.0	-	27.1
Aug 13	China July Retail Sales	12.5%	-	12.4%
Aug 14	Eurozone July CPI	0.8%	-	0.8%
Aug 15	U.S. July PPI Final Demand	1.7%	-	1.9%

Strengths

- Gold futures jumped the most in six weeks in New York as signs of escalating tension between Ukraine and Russia fueled demand for the precious metal as a safe haven. Gold traders turned the most bullish since January, according to a Bloomberg survey. The survey showed that 17 out of 26 analysts and traders who were polled believe gold will rise. The recent appetite for gold is encouraging as it coincides with a strong U.S. dollar, defying the historically-negative correlation. The U.S. dollar rose to the highest level in nine months.
- ETF gold holdings rose 0.90 percent in July from a four-year low in June. The increase was the largest-monthly gain since late 2012, and halted a three-month decline. Gold ETF holdings are down 1.6 percent year-to-date as outflows slowed. Platinum ETF holdings closed July at a record high as demand was sustained after the South African strikes were resolved. Lastly, palladium ETF holdings rose nearly 3 percent to a new record, bringing its annual increase to 38 percent.
- BullionVault's Gold Investor Demand Index rebounded as gold holdings reached a new record. Investor demand has showed signs of rebounding as the index rose to 51.9 from a four-year low of 51.2 in June. BullionVault's customer holdings of gold climbed to 33.03 tonnes, exceeding the previous peak of 32.9 tonnes in March 2013.

Weaknesses

- Data from the U.S. Mint showed that silver coin sales fell to the lowest level in July of this year, plunging 55 percent from a year ago. American Eagle Bullion gold coin sales also declined, posting the lowest level since March, and 41-percent lower than a year ago. In addition, Hong Kong gold net exports to China fell to a seventeen-month low. Even if there is evidence that some of the volumes are now entering through Shanghai and Beijing, the magnitude of the drop still points to softening of the Chinese gold retail and investment market.

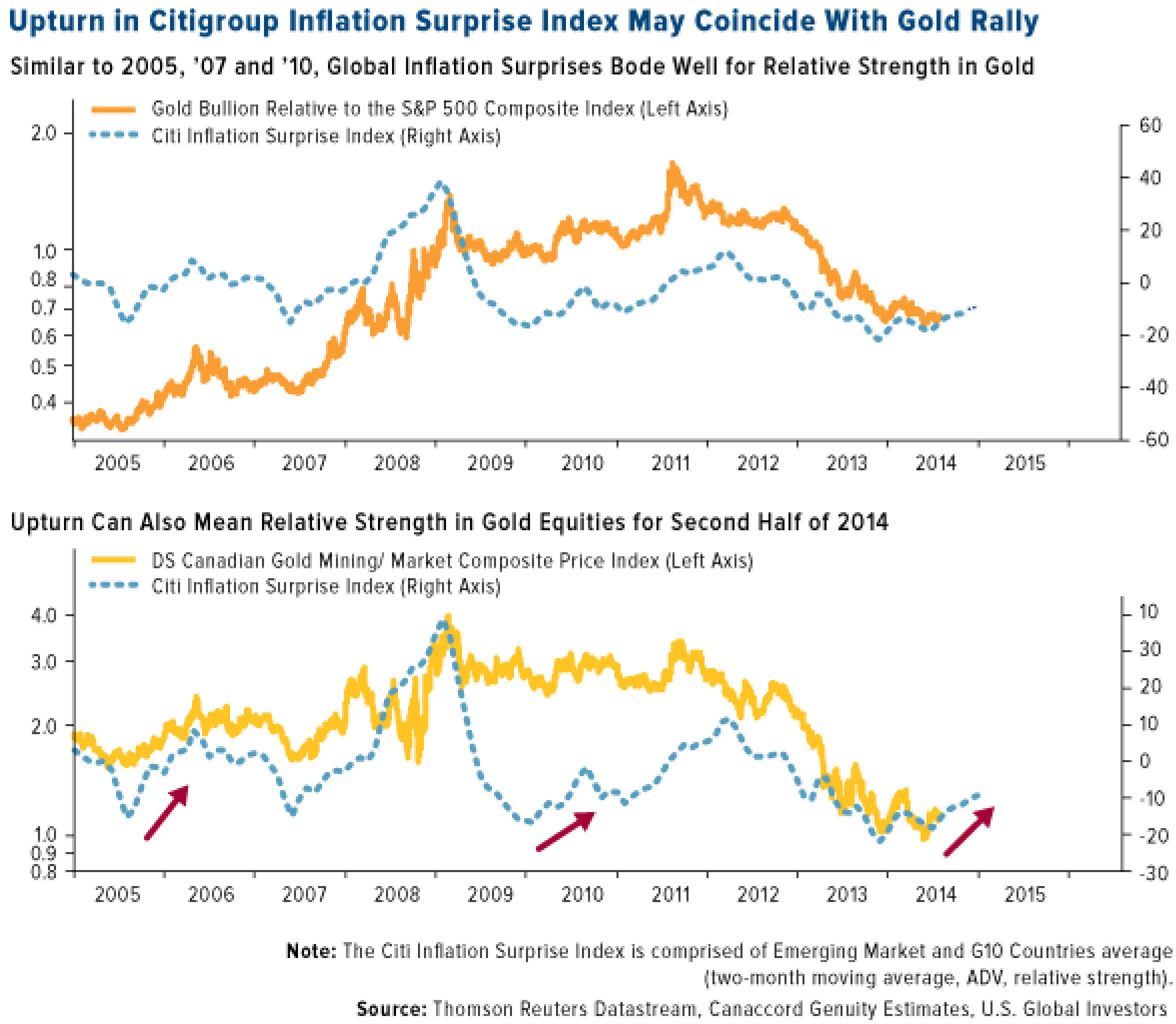
click to enlarge

- Sandstorm Gold has agreed to “bail-in” Luna Gold after its lower-than-estimated cash flow resulting from an unexpected drop in production, together with cost overruns at Aurizona in Brazil. Sandstorm, which owns a 17-percent gold stream on Luna’s Aurizona property, has agreed to purchase a minimum 19.5 million shares, bringing its stake to 19.8 percent.

- Shares of Imperial Metals plunged 41 percent after a massive tailings pond breach at Mount Polley, placing it on care and maintenance as a result. The spill sent a 45-meter wall of water and mining waste, together with 4.5 cubic meters of metals containing sand, into Polley Lake, impacting numerous neighboring communities. Imperial Metals CEO Brian Kynoch has assured that the 10 million cubic acres of contaminated water is close to drinking water quality, in an effort to address the comments raised by environmental and aboriginal groups.

Opportunities

- Gold and gold equities remain attractive even in a rising U.S. dollar environment, according to Canaccord Genuity analysts. Normally gold and the U.S. dollar display a negative correlation, meaning gold underperforms in a strong U.S. dollar market. This may not be the case now. According to Canaccord analysts, at times of rising inflationary expectations (like 1993), the negative correlation does not hold. As matter of fact, the Citicorp Inflation Surprise Index has staged an upturn from a cyclically-low level, which according to history bodes well for higher gold prices, even in the face of a stronger U.S. dollar.



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- Gold will extend this year's surprise rally and climb to the highest level since September on the outlook for accelerating inflation, according to USAGOLD Centennial Precious Metals. Chief Market Analyst Peter Grant believes gold will rise to $1,400 by the end of the year, and will climb even further as the Federal Reserve increases interest rates. Similarly, Credit Suisse analyst Tom Kendall has recommended investors go long gold within the metals and mining complex, as it is not vulnerable to the unwinding of speculative positions in China.

- Klondex Mines announced it began initial drifting on a fourth-identified vein at its Fire Creek deposit in Nevada. The vein, which lies only 100 feet west of the main ramp, is not included in the 2013 resource estimate or subsequent preliminary economic assessment (PEA). Current drilling shows a known strike length of 800 feet and a vertical dip of 250 feet, remaining open both north and south along strike, and up and down dip. The weighted average grade of samples taken from the vein is 126.9 gold grams per tonne.

Threats

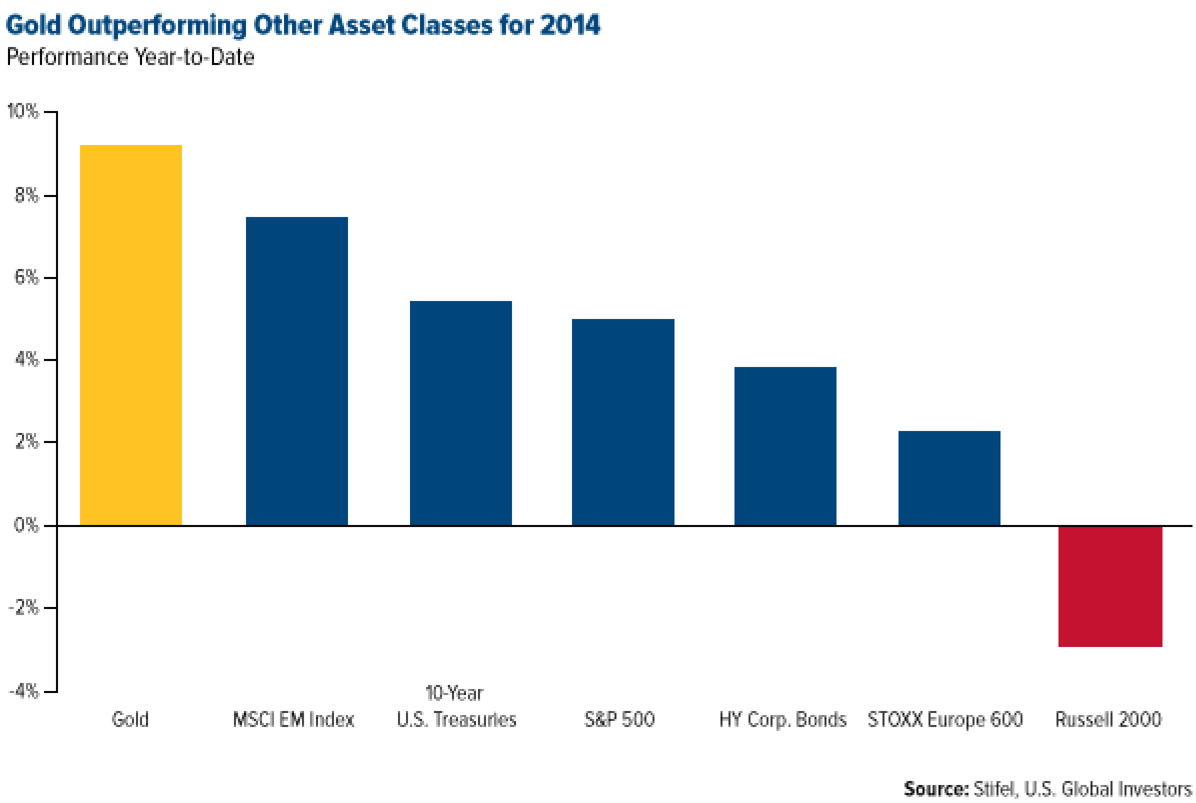
- More than 15,000 petition signatures opposing a nickel project were delivered on Tuesday to the U.S. Forest Service and the Bureau of Land Management to be presented to the U.S. Secretaries of Interior and Agriculture. The signatures are being presented in response to proposals for nickel strip mining in the area, in anticipation of the proper environmental assessment, as conservation groups seek to protect the lands from "destructive" mining.

- HSBC precious metals analysts argue that the path of least resistance for gold may be lower. According to the bank's analysts, while a possibility for further build in gold's price due to geopolitical tensions cannot be discounted, these gains tend to be fast-moving, and the bulk of the gains appear to have been made. Similarly, Credit Suisse is of the opinion that disinterest from gold investors in China and India will weigh on demand as the seasonal buying slows down toward the end of the summer.

- In 2010, the market value of Petropavlovsk PLC exceeded $3 billion. The company then borrowed more than $1 billion to expand production at its mines in Far East Siberia, just before the dozen years of gold-price gains ended abruptly in 2013. Today, the company's market share is around $110 million, dwarfed by about $819 million in debt that absorbs any cash flow generated from its mines. The cash flow is insufficient and more money must be borrowed by Petropavlovsk, a less likely event now that Russian banks are being punished by Western sanctions.

Energy and Natural Resources Market

Due to technical difficulties, the Energy and Natural Resources Market section was not available at the time of publication. We apologize for the delay. The complete Investor Alert will be posted on our website usfunds.com, on Monday morning. Thank you.



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August 4, 2014
5 Takeaways from the

July 31, 2014
Gold Mining

July 28, 2014
Second Quarter

Vancouver Natural Resources Conference

Stocks Are Beating Bullion: A Win-Win

Earnings: Marching Toward a Strong Recovery

A blog by Frank Holmes, CEO and Chief Investment Officer

China Region Fund - USCOX • Emerging Europe Fund - EUROX

Emerging Markets

Strengths

- Egypt was the best-performing market this week as the country's highest Muslim religious authority refused to approve death sentences imposed on senior leaders of the Islamist Muslim Brotherhood. In addition, Egyptian steel tycoon Ahmed Ezz, a senior member of Mubarak's ruling National Democratic Party, was released on bail after spending three years in detention. The news gives hope for political calm at a time when Egypt is said to plan a new Suez Canal, which will require $4 billion in financing, but will boost annual revenues to $13.5 billion.

- Technology was the best-performing sector in emerging markets this week, led by Asian blue-chip software, hardware and Internet companies, as investors remained optimistic going into the earnings season. A majority of U.S. large-cap technology companies reported during the week and surprised on the upside.

- China received another equity fund inflow of $1.6 billion for the week ending August 6, 2014, by far the strongest recipient of global liquidity influx among emerging markets. Investor expectations stayed buoyant on loosening government curbs on property along with the imminent launch of a mutual-market access program between Shanghai and Hong Kong.

Weaknesses

- Greece was the worst-performing emerging market for the week as positive macroeconomic data was overshadowed by concerns the tourist industry will be affected by Russian sanctions. Preliminary estimates show that tourist arrivals from Russia and Ukraine will drop by 375,000 tourists, forgoing tourist revenues of approximately 300 million euro.

- Financials was the worst-performing sector within the emerging markets complex, led lower by African Bank which dropped 95 percent in South Africa this week. The bank, whose chief executive officer resigned, said losses would be at a record this year and the bank would need to tap investors for funds for the second time in less than a year.

- Macau-based casino operators were among the worst-performing sub-industries in Hong Kong this week, as the 17-percent year-over-year gain in mass market gaming revenue in July marked the weakest monthly growth since 2010 for the category. Aggregate gaming revenue posted a second-consecutive month of decline.

Opportunities

- Global investors have been net buyers of Chinese equity for the past nine weeks, with a total $6.6 billion injection. This comes in response to various signs of favorable economic policy and potent political leadership on top of low absolute and relative stock valuation, a distinct reversal from $3.6 billion net redemptions in 2013. Rising global portfolio allocation to China might sustain itself in the near future if Russian investors and corporates continue to move capital to Hong Kong to preempt further deterioration of relations between Russia and the West.

click to enlarge

- French utility, Electricite de France (EDF), may join a bid to invest in new nuclear reactors in Poland. EDF faces a weaker market at home after the French government announced plans to reduce the share of nuclear energy in the country's power output. Meanwhile, Polish utility Polska Grupa Energetyczna (PGE) aims to sell a non-controlling stake in the planned Polish nuclear project to a foreign investor, a process which has drawn sizeable interest and will bring foreign investment, infrastructure development and economic benefit to the country.
- Reservoir Minerals announced it has started a first-phase exploration drilling program on its 100-percent owned Nikolicevo permit in the Timok Magmatic Complex in eastern Serbia, where the company has a joint venture with Freeport McMoRan. The company plans to drill 13,000 meters in the gold-copper porphyry, which showcases one of the highest copper grades among all development projects globally.

Threats

- Escalating trade sanctions between Russia and Western nations over Ukraine are hurting Poland more than other major economies in the region because of its stronger trade ties with Russia. The purchasing managers' index (PMI) for Poland, the largest of the European Union's (EU's) post-Communist states, fell for a fifth-consecutive month in July, decoupling from the Czech Republic and Hungary, the two next -biggest economies in central Europe, according to a Bloomberg report. Polish exports to Russia have dropped 8.3 percent in the first five months of 2014, even before Russian sanctions where announced.

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- Russian price increases peaked at more than 2,500 percent in the 1990s. Russian import bans on an array of food goods from Western nations may fuel food inflation even further. Food inflation rose at an annual rate of 9.2 percent in July, bringing back old memories of tougher times and fear as inflation expectations are becoming unanchored. The central bank said it is prepared to keep boosting the benchmark rate as a means to control inflation, even as higher borrowing costs threaten to tip the economy into a recession.
- Since the Second-Child Policy was approved in China earlier this year, eligible couples have been slow to embrace looser restrictions based on provincial statistics. Growth prospects of China's mass consumer sector, such as infant foods and diapers, has significantly diminished due to structural migration to e-commerce and rising competition to name brands.

Leaders and Laggards

The tables show the weekly, monthly and quarterly performance statistics of major equity and commodity market benchmarks of our family of funds.

Weekly Performance

Index	Close	Weekly Change($)	Weekly Change(%)
Natural Gas Futures	3.97	+0.17	+4.45%
S&P/TSX Canadian Gold Index	203.28	+4.76	+2.40%
XAU	101.26	+1.77	+1.78%

Russell 2000	1,131.35	+16.49	+1.48%
Gold Futures	1,312.90	+18.10	+1.40%
S&P Basic Materials	310.44	+3.09	+1.01%
S&P Energy	703.50	+5.63	+0.81%
Nasdaq	4,370.90	+18.26	+0.42%
DJIA	16,553.93	+60.56	+0.37%
S&P 500	1,931.59	+6.44	+0.33%
Oil Futures	97.57	-0.31	-0.32%
Hang Seng Composite Index	3,328.84	-23.34	-0.70%
Korean KOSPI Index	2,031.10	-42.00	-2.03%
10-Yr Treasury Bond	2.42	-0.07	-2.89%

Monthly Performance

Index	Close	Monthly Change($)	Monthly Change(%)
Korean KOSPI Index	2,031.10	+30.60	+1.53%
S&P/TSX Canadian Gold Index	203.28	+1.99	+0.99%
Gold Futures	1,312.90	-12.90	-0.97%
Nasdaq	4,370.90	-48.14	-1.09%
S&P Basic Materials	310.44	-3.89	-1.24%
S&P 500	1,931.59	-41.24	-2.09%
XAU	101.26	-2.51	-2.42%
DJIA	16,553.93	-431.68	-2.54%
S&P Energy	703.50	-26.19	-3.59%
Russell 2000	1,131.35	-42.46	-3.62%
Oil Futures	97.57	-4.72	-4.61%
Natural Gas Futures	3.97	-0.20	-4.87%
10-Yr Treasury Bond	2.42	-0.13	-5.10%
Hang Seng Composite Index	3,328.84	-332.01	-14.83%

Quarterly Performance

Index	Close	Quarterly Change($)	Quarterly Change(%)
XAU	101.26	+11.88	+13.29%
S&P/TSX Canadian Gold Index	203.28	+23.58	+13.12%
Hang Seng Composite Index	3,328.84	+328.75	+10.96%
Nasdaq	4,370.90	+299.03	+7.34%
Korean KOSPI Index	2,031.10	+74.55	+3.81%
S&P Basic Materials	310.44	+9.57	+3.18%
S&P 500	1,931.59	+53.11	+2.83%
S&P Energy	703.50	+18.15	+2.65%
Russell 2000	1,131.35	+24.13	+2.18%
Gold Futures	1,312.90	+24.50	+1.90%
DJIA	16,553.93	-29.41	-0.18%
Oil Futures	97.57	-2.42	-2.42%
10-Yr Treasury Bond	2.42	-0.20	-7.74%
Natural Gas Futures	3.97	-0.56	-12.45%

Please consider carefully a fund's investment objectives, risks, charges and expenses. For this and other important information, obtain a fund prospectus by visiting www.usfunds.com or by calling 1-800-US-FUNDS (1-800-873-8637). Read it carefully before investing. Distributed by U.S. Global Brokerage, Inc.

All opinions expressed and data provided are subject to change without notice. Some of these opinions may not be appropriate to every investor.

Foreign and emerging market investing involves special risks such as currency fluctuation and less public disclosure, as well as economic and political risk. By investing in a specific geographic region, a regional fund's returns and share price may be more volatile than those of a less concentrated portfolio.

The Emerging Europe Fund invests more than 25 percent of its investments in companies principally engaged in the oil & gas or banking industries. The risk of concentrating investments in this group of industries will make the fund more susceptible to risk in these industries than funds which do not concentrate their investments in an industry and may make the fund's performance more volatile.

Because the Global Resources Fund concentrates its investments in a specific industry, the fund may be subject to greater risks and fluctuations than a portfolio representing a broader range of industries.

Gold, precious metals, and precious minerals funds may be susceptible to adverse economic, political or regulatory developments due to concentrating in a single theme. The prices of gold, precious metals, and precious minerals are subject to substantial price fluctuations over short periods of time and may be affected by unpredicted international monetary and political policies. We suggest investing no more than 5 percent to 10 percent of your portfolio in these sectors.

Bond funds are subject to interest-rate risk; their value declines as interest rates rise. 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. The Near-Term Tax Free Fund may invest up to 20% of its assets in securities that pay taxable interest. Income or fund distributions attributable to capital gains are usually subject to both state and federal income taxes. The Near-Term Tax Free Fund 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..

Investing in real estate securities involves risks including the potential loss of principal resulting from changes in property value, interest rates, taxes and changes in regulatory requirements.

Past performance does not guarantee future results.

Some link(s) above may be directed to a third-party website(s). U.S. Global Investors does not endorse all information supplied by this/these website(s) and is not responsible for its/their content.

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

Fund portfolios are actively managed, and holdings may change daily. Holdings are reported as of the most recent quarter-end. Holdings as a percentage of net assets as of 6-30-2014:

Sandstorm Gold Ltd.: Gold and Precious Metals Fund, 0.71%; World Precious Minerals Fund, 0.21%
Luna Gold Corp.: 0.0%
Imperial Metals Corp.: Gold and Precious Metals Fund, 1.34%; World Precious Minerals Fund, 1.37%
Klondex Mines Ltd.: Global Resources Fund, 1.34%; Gold and Precious Metals Fund, 6.58%; World Precious Minerals Fund, 6.60%
Petropavlovsk Plc: 0.0%
African Bank Investments Ltd.: 0.0%
Reservoir Minerals Inc.: 0.0%
Freeport-McMoRan Copper & Gold Inc.: Global Resources Fund, 0.13%
L Brands Inc.: 0.0%
Gap Inc.: 0.0%
Lowe's Companies Inc.: 0.0%
Allegheny Technologies Inc.: 0.0%
Newmont Mining Corp.: Global Resources Fund, 0.01%; Gold and Precious Metals Fund, 0.12%; World Precious Minerals Fund, 0.11%
First Solar Inc.: 0.0%
Sprint Corp.: 0.0%
T-Mobile US Inc.: 0.0%
Mylan Inc.: All American Equity Fund, 0.98%; Holmes Macro Trends Fund, 0.99%
Actavis Plc: All American Equity Fund, 1.41%; Holmes Macro Trends Fund, 1.50%
Walgreen Co.: 0.0%
Alliance Boots Holdings Ltd.: Global Resources Fund, 0.0%
The Priceline Group Inc.: All American Equity Fund, 2.54%; Holmes Macro Trends Fund, 2.31%
Cisco Systems Inc.: 0.0%
Wal-Mart Stores Inc.: 0.0%

*The above-mentioned indices are not total returns. These returns reflect simple appreciation only and do not reflect dividend reinvestment.

The Dow Jones Industrial Average is a price-weighted average of 30 blue chip stocks that are generally leaders in their industry.

The S&P 500 Stock Index is a widely recognized capitalization-weighted index of 500 common stock prices in U.S. companies.

The Nasdaq Composite Index is a capitalization-weighted index of all Nasdaq National Market and SmallCap stocks.

The Russell 2000 Index® is a U.S. equity index measuring the performance of the 2,000 smallest companies in the Russell 3000®, a widely recognized small-cap index.

The Hang Seng Composite Index is a market capitalization-weighted index that comprises the top 200 companies listed on Stock Exchange of Hong Kong, based on average market cap for the 12 months.

The Taiwan Stock Exchange Index is a capitalization-weighted index of all listed common shares traded on the Taiwan Stock Exchange.

The Korea Stock Price Index is a capitalization-weighted index of all common shares and preferred shares on the Korean Stock Exchanges.

The Philadelphia Stock Exchange Gold and Silver Index (XAU) is a capitalization-weighted index that includes the leading companies involved in the mining of gold and silver.

The U.S. Trade Weighted Dollar Index provides a general indication of the international value of the U.S. dollar.

The S&P/TSX Canadian Gold Capped Sector Index is a modified capitalization-weighted index, whose equity weights are capped 25 percent and index constituents are derived from a subset stock pool of S&P/TSX Composite Index stocks.

The S&P 500 Energy Index is a capitalization-weighted index that tracks the companies in the energy sector as a subset of the S&P 500.

The S&P 500 Materials Index is a capitalization-weighted index that tracks the companies in the material sector as a subset of the S&P 500.

The S&P 500 Financials Index is a capitalization-weighted index. The index was developed with a base level of 10 for the 1941-43 base period.

The S&P 500 Industrials Index is a Materials Index is a capitalization-weighted index that tracks the companies in the industrial sector as a subset of the S&P 500.

The S&P 500 Consumer Discretionary Index is a capitalization-weighted index that tracks the companies in the consumer discretionary sector as a subset of the S&P 500.

The S&P 500 Information Technology Index is a capitalization-weighted index that tracks the companies in the information technology sector as a subset of the S&P 500.

The S&P 500 Consumer Staples Index is a Materials Index is a capitalization-weighted index that tracks the companies in the consumer staples sector as a subset of the S&P 500.

The S&P 500 Utilities Index is a capitalization-weighted index that tracks the companies in the utilities sector as a subset of the S&P 500.

The S&P 500 Healthcare Index is a capitalization-weighted index that tracks the companies in the healthcare sector as a subset of the S&P 500.

The S&P 500 Telecom Index is a Materials Index is a capitalization-weighted index that tracks the companies in the telecom sector as a subset of the S&P 500.

The NYSE Arca Gold Miners Index is a modified market capitalization weighted index comprised of publicly traded companies involved primarily in the mining for gold and silver.

The Consumer Price Index (CPI) is one of the most widely recognized price measures for tracking the price of a market basket of goods and services purchased by individuals. The weights of components are based on consumer spending patterns.

The ISM Nonmanufacturing index based on surveys of more than 400 non-manufacturing firms' purchasing and supply executives, within 60 sectors across the nation, by the Institute of Supply Management (ISM). The ISM Non-Manufacturing Index tracks economic data, like the ISM Non-Manufacturing Business Activity Index. A composite diffusion index is created based on the data from these surveys that monitors economic conditions of the nation.

The ISM manufacturing composite index is a diffusion index calculated from five of the eight sub-components of a monthly survey of purchasing managers at roughly 300 manufacturing firms from 21 industries in all 50 states.