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U.S. Global Investors Reports Financial Results for the First Quarter of 2015 Fiscal Year

Everyone Loves a Discount—But Where's the Support for Oil Prices?

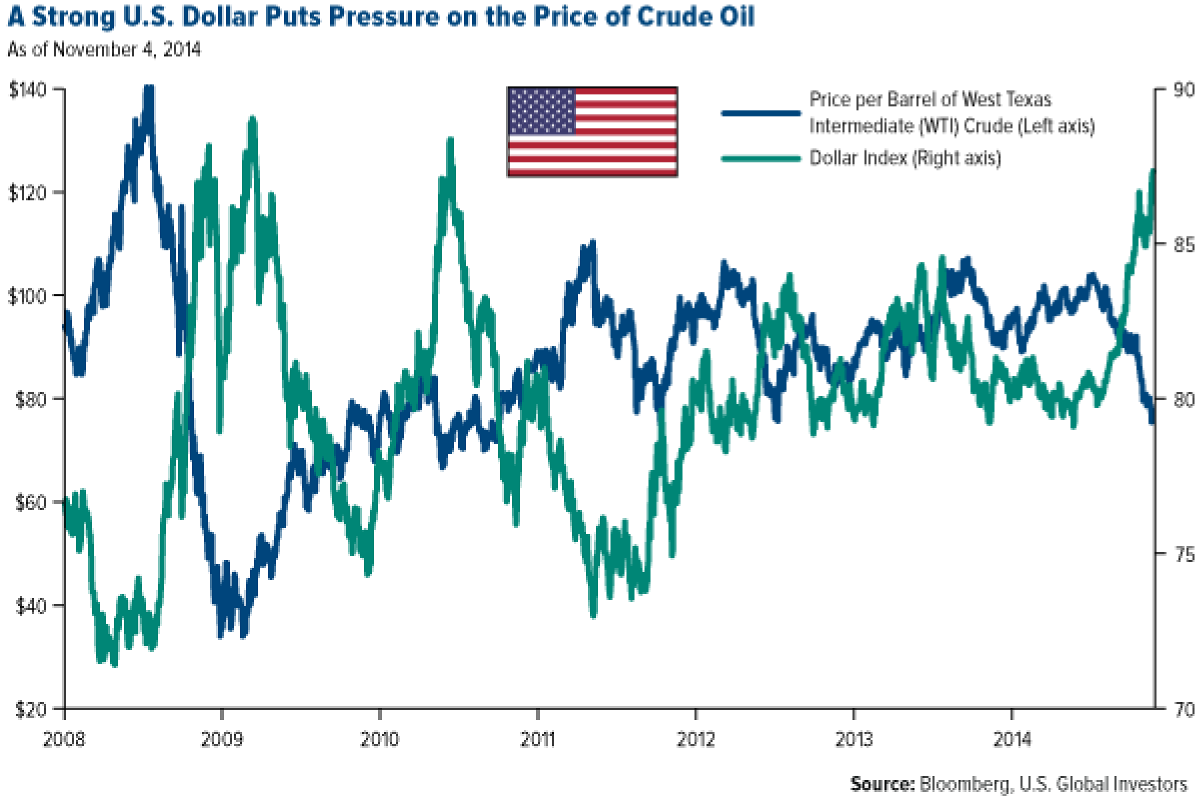
By Frank Holmes
CEO and Chief Investment Officer
U.S. Global Investors

For the first time since 2010, the average price of a gallon of gas in the United States has fallen below $3, according to AAA's Daily Fuel Gauge Report. An estimated $40 billion is estimated to be saved this year alone. That's money that can be put toward other expenses—bigger cars, children's education, retirement and investing.


Christmas comes more than a month early: For every day that average national gas prices are below $3, American consumers collectively save $250 million.

But that discount comes with a price. Cheap gas might help consumers and companies in certain industries, but they're a drag on oil producers, retailers and entire nations. This affects everyone. We live in a global economy, after all.

Since June, crude oil has tumbled 30 percent to prices we haven't seen in about three years. For the past 20 days and 60 days, it's down about two standard deviations. We can blame this dip on a number of things: geopolitics, the slowing of real GDP growth across the globe, a huge oil surplus here in the U.S. and a strong dollar. The strength of the dollar, as you can see, has historically had an inverse relationship with the price of oil.



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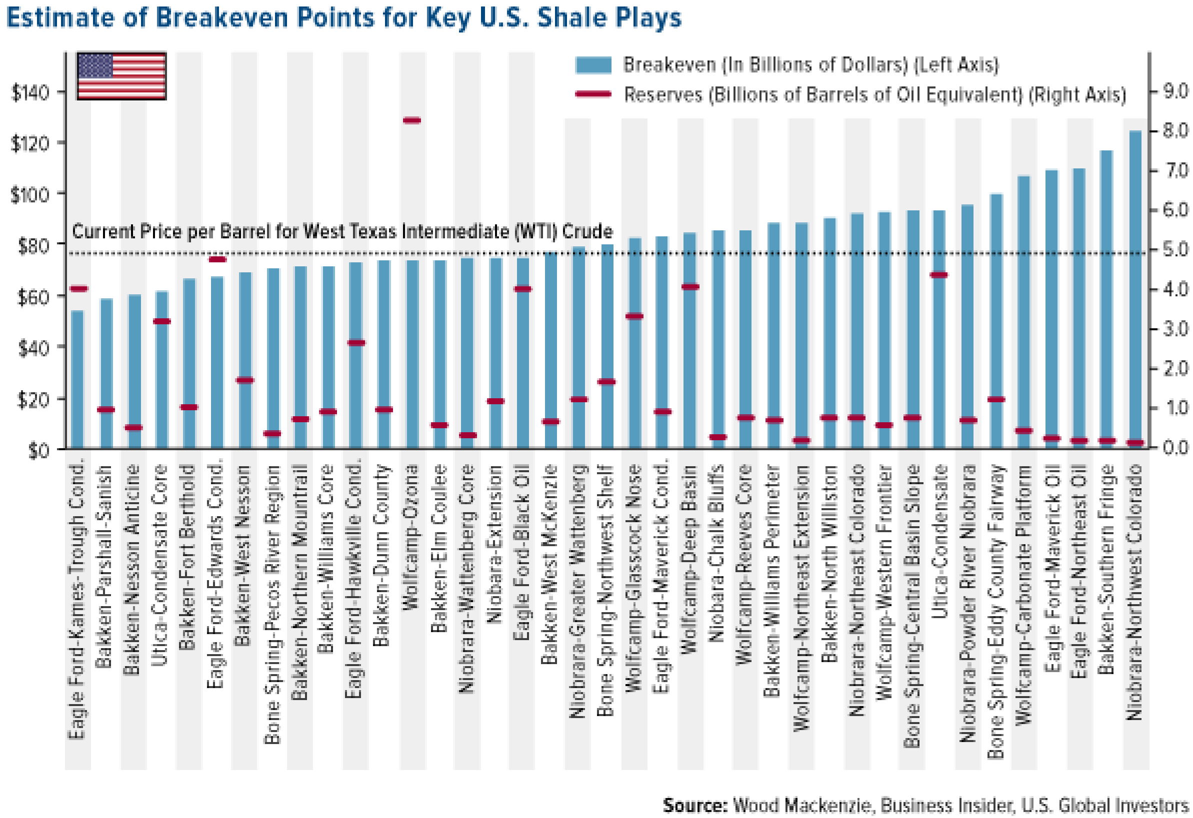
Recent cuts to our military budget have also affected oil prices. The U.S. military uses more oil than any other institution on earth. Every year it consumes over 100 million barrels to fuel ships, aircraft and other vehicles, but that number is dropping at the same time supply is rising.

Meet the Frackers

Because of the success of unconventional extraction methods such as fracking, the U.S.'s production level is at a 25-year high. What would the rate of depletion be if fracking were no longer profitable at $70 or $60 per barrel and production had to be halted? There's no definitive answer to that question because it's not clear how many companies would be affected and to what extent. But what should be clear is that reserves would begin to shrink and we would go back to the days of an overreliance on foreign oil.

Below are the estimated breakeven points for some of the most important shale plays in the U.S. With crude currently priced at slightly under $80 per barrel, many companies, especially those that practice fracking, are starting to feel the pinch. Each play has its own unique set of challenges, one of the most significant being the region's geology. As you can imagine, the harder it is to get the crude out of the ground, the costlier it becomes.



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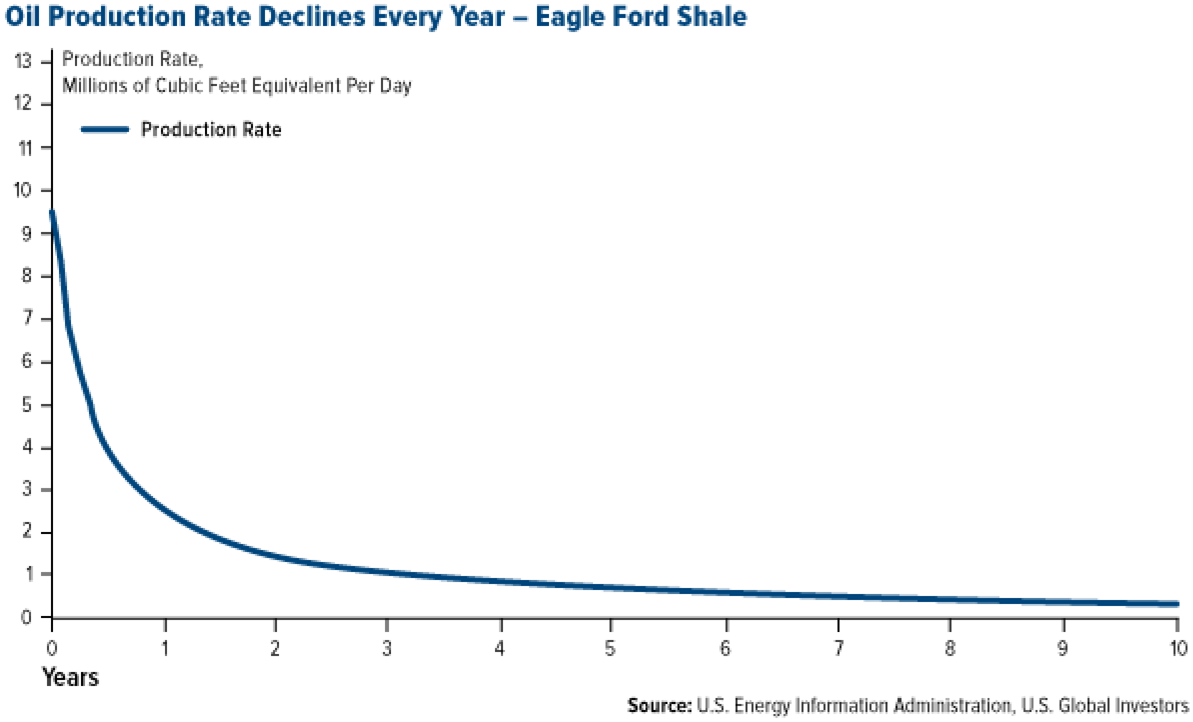
Some analysts believe that approximately a third of all U.S. shale oil producers operate in the red when the price per barrel falls below $80. At $70 a barrel, these producers will need to make drastic changes such as production cuts and layoffs. According to energy research firm Wood Mackenzie:

> *If WTI prices were below $70 for most of 2015, we predict that around 0.6 million b/d [barrels per day] of U.S. tight oil supply growth would be under serious threat by the end of the year—a figure which would continue to increase with low prices.*

And if crude were to fall to $60 per barrel? An estimated 80 percent of U.S. companies that extract tight oil, or shale oil, through fracking would be shut down and all new supply would diminish quickly due to the rapid decline rate.

Already oil producers must contend with the challenge of decreased production. When a well is first drilled, it might begin producing 1,200 barrels a day but, throughout the year, gradually decline between 5 and 20 percent. By the end of the year, the site is producing only around 100 barrels a day. Oil producers are often able to recoup exploration and production costs in that timeframe, but then it's necessary to move on to the next drill site.



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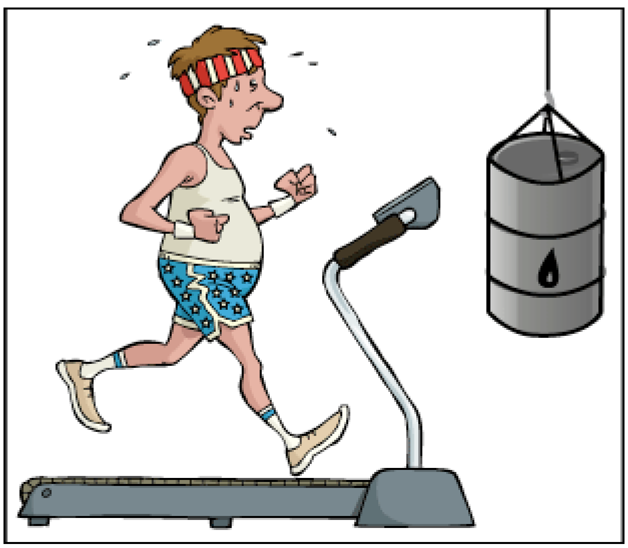
Unconventional extraction methods accelerate the decline rate. If frackers were forced to halt production now, our reserves would dwindle even more rapidly.

It's critical that America keeps running on this treadmill, so to speak. The results of stopping now would be similar to those of a workout buff who suddenly quits going to the gym. We all know how much harder it is to get back in shape than it is to stay in shape.

Layoffs would especially hurt, given that the tight oil revolution has significantly contributed to the U.S.'s economic recovery. Think not just of general oilfield roustabouts but also geoscientists, petroleum engineers and the thousands of other incidental professionals who face losing their jobs if prices continue to slip.



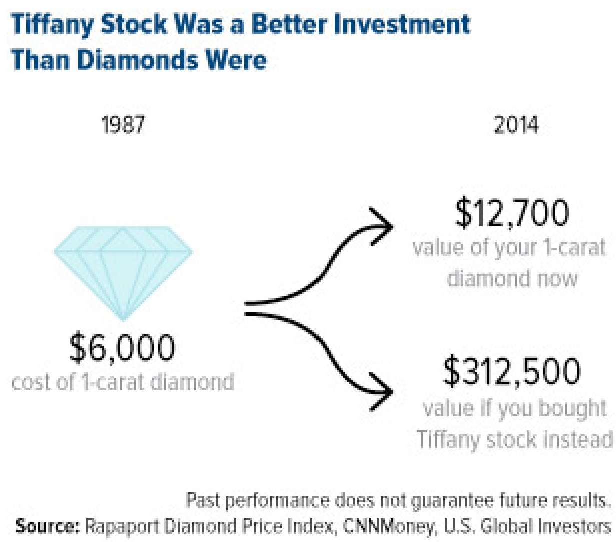
Meanwhile, people continue to have babies, drive their vehicles to work and heat their homes, all of which requires oil.

And there's reason to believe that we'll especially need oil for heating this winter. Already an intense storm even larger than Superstorm Sandy, Typhoon Nuri, is moving west along Alaska's Aleutian Islands and is expected to bring freezing temperatures to much of the northern part of the U.S. It looks as if winter has arrived earlier than normal this year.

Bundle up! Typhoon Nuri is expected to bring freezing temperatures to much of the U.S.

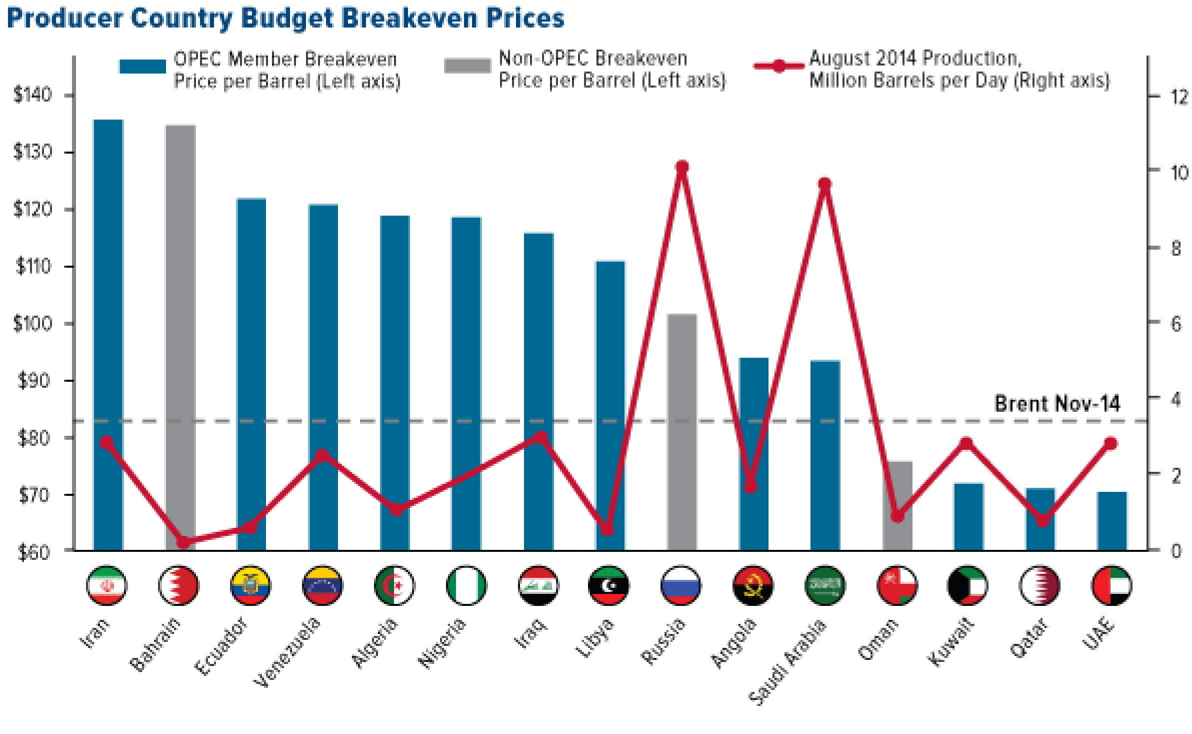
For the time being, however, we can all enjoy lower gas prices this year. With the money saved, we can make better investment decisions. It's as if we received an unexpected tax break. Lower gas prices leads to more consumer spending, which means that luxury goods stocks such as Tiffany & Co., which we own in our Gold and Precious Metals Fund (USERX), might benefit.

Speaking of Tiffany & Co., did you know that buying the company's stock in 1987, the year it went public, would have been a better investment than buying an actual diamond? You can read about it here.



Enter the Saudis: Who Will Blink First?

Many of the world's major oil-producing countries are also feeling the pressure of low prices. Of those shown below, only four—Oman, Kuwait, Qatar and the United Arab Emirates—are still able to balance their books with Brent oil flirting with $80 a barrel.



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Here's where geopolitics comes into play. Russia is currently the second-largest oil exporter in the world and set to overtake Saudi Arabia very soon. This might help explain why the Saudis aren't in any hurry to limit their own production and support prices. They have everything to lose and nothing to gain by reducing output. They're in a better position to maintain current levels and still be profitable with $80 oil than Russia, the U.S. and most of the Organisation of the Petroleum Exporting Countries (OPEC). The kingdom has already lowered the price of the oil it exports to the U.S., a sign that it's aiming to undercut the competition and hang on to its status as the world's top exporter.

Oil reserves would be necessary if the U.S. ever engaged with a country as powerful as Russia.

As oil and gas policy expert Dr. Kent Moors argues in a recent article, Saudi Arabia is fighting a losing battle against three fronts: Russia, over control of the Asian market; neighboring OPEC members such as Iraq and Iran; and the U.S., a market the Saudis don't want to lose to more efficient fracking companies here in America. And, of course, the U.S. and Russia are locked in their own energy skirmish, one that Casey Research's Marin Katusa calls The Colder War, the title to his latest book.

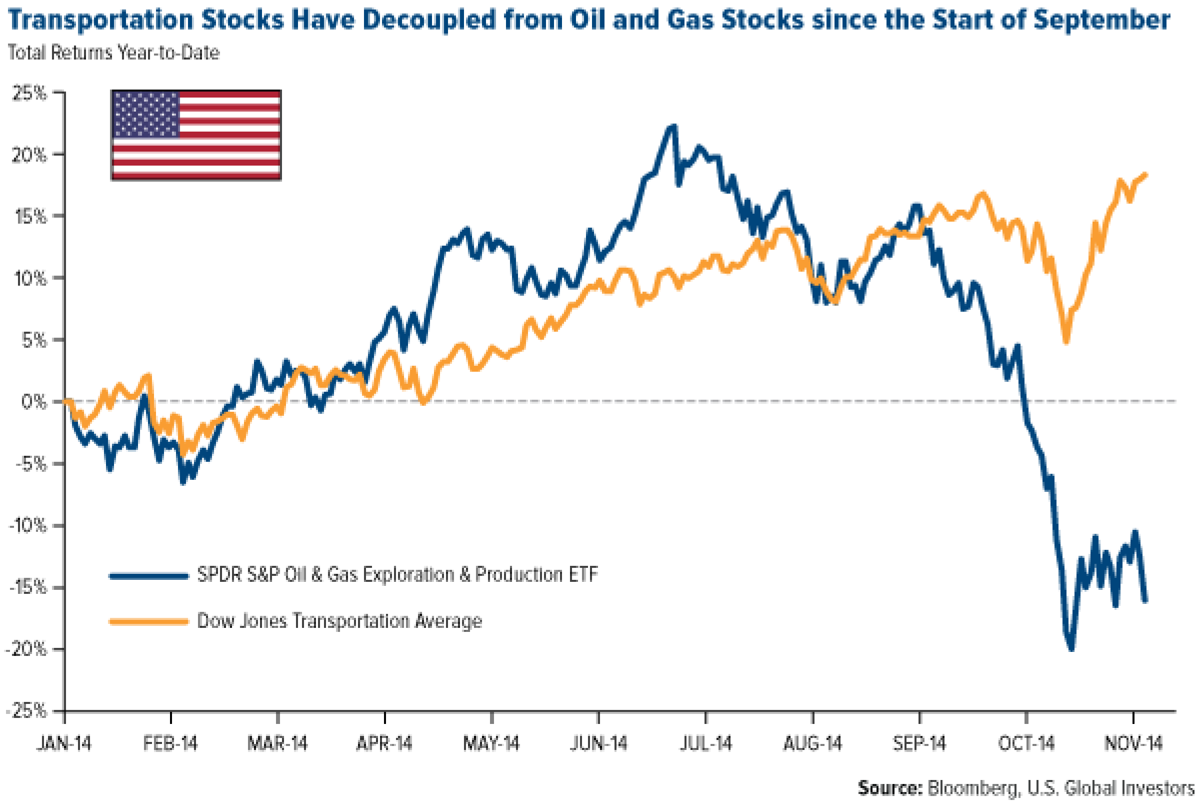
OPEC officials will be meeting later this month, and hopefully an agreement can be reached. During our webcast last month, Brian Hicks, portfolio manager of our Global Resources Fund (PSPFX), emphasized the point that the current price of oil just isn't sustainable:

> *I would be surprised if we did not see another production cut if oil remains at these levels. I think that OPEC and the Saudis need to come in and support prices even more so than they already have following the cut in August.*

One Word: Plastics

Just as consumers have benefited from sliding oil prices, so too have many companies, including those in the transportation sector. Below you can see that near the start of September, the oil and gas industry decoupled from the transportation sector, composed of airline, trucking, delivery services, railroad and marine transportation companies. Currently there's more than a 35-point spread between the Dow Jones Transportation Average and

SPDR S&P Oil & Gas Exploration & Production ETF.



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Manufacturers of plastics and synthetic rubber, of which crude is the main component, have also benefited. The U.S. producer price of plastics and rubber products is up $1.20 year-to-date. In 30 days, Cooper Tire & Rubber has shot up 13 percent, Berry Plastics 14 percent, Goodyear 15 percent.

Shell, on the other hand, has given back 5 percent.

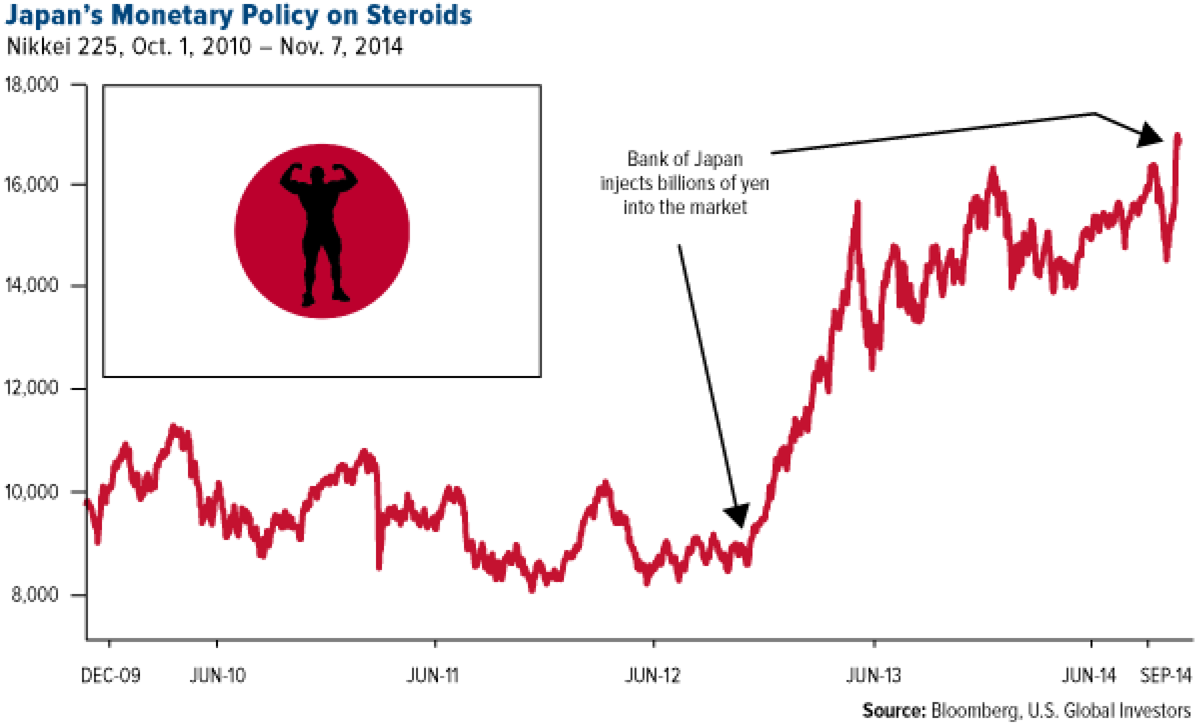
This is precisely why we're attracted to low-cost oil producers such as EOG Resources and Devon Energy. Many, but not all, of them are nimbler and more adaptable in uncertain economic climates than the big names are. We strive to buy only those that have been well screened and fit our models.

Learn more about our investment process here at U.S. Global Investors.

Late last month I noted that the the eurozone is in trouble because its monetary and fiscal policies are sorely out of balance. The region relies too much on punitive taxes and entitlement spending and not enough on stimulation. Right now its GDP growth rate is a sluggish 0.1 percent, its inflation rate 0.4 percent.

I suggested that the eurozone should look to China to see how it's handling its own slowdown—the government has cut hundreds of lines of regulation and plans to cut more—but members of the European Union, and especially the European Central Bank (ECB), might also do well to look to China's neighbor, Japan.

A week ago the Bank of Japan (BOJ) surprisingly unveiled a gargantuan $724 billion-a-year stimulus package to combat deflation. The monetary measure will essentially turn the BOJ's governor, Haruhiko Kuroda, into the world's largest hedge fund manager. The market seemed to like the announcement, as the Nikkei 225 has risen 3 percent since then.



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Such a plan, of course, is too extreme for the ECB to make, and there's no guarantee that it will work. But at least no one can fault Japan for refusing to use both tools, monetary and fiscal policy, to jumpstart its economy and effect change.

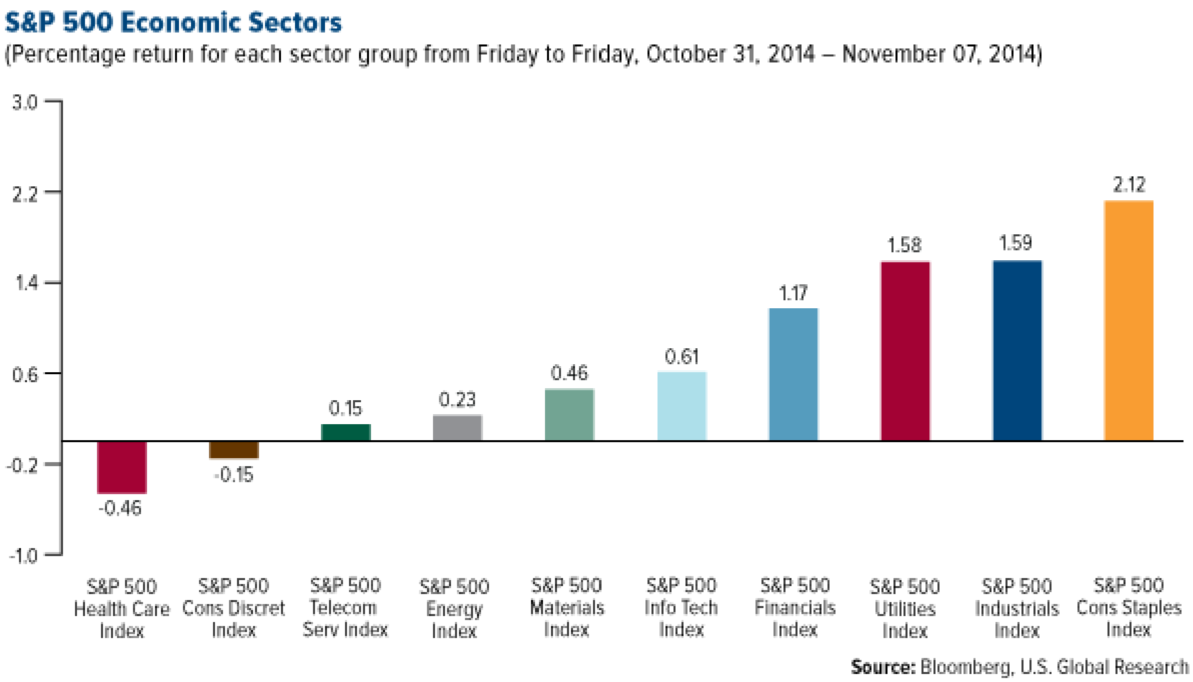
Index Summary

- Major market indices finished higher this week. The Dow Jones Industrial Average rose 1.05 percent. The S&P 500 Stock Index gained 0.68 percent, while the Nasdaq Composite advanced 0.04 percent. The Russell 2000 small capitalization index fell 0.02 percent this week.
- The Hang Seng Composite fell 1.63 percent; Taiwan fell 0.69 percent and the KOSPI fell 1.25 percent.
- The 10-year Treasury bond yield fell thirty six basis points to 2.30 percent.

All American Equity Fund - GBTFX • Holmes Macro Trends Fund - MEGAX

Domestic Equity Market

The S&P 500 Index rose again this week closing just shy of a new all-time high. Equity markets rallied on news of a Republican mid-term elections victory in the Senate, which historically is positive with a sitting Democratic President. Following another week without the Federal Reserve's QE program, we find the U.S. markets still on a bullish trend even without the support.



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Strengths

- The energy sector led the way in a strong week as Southwestern Energy, Diamond Offshore Drilling, and Devon Energy all rallied by more than 11 percent. Cabot Oil & Gas was not far behind, rising 9.12 percent this week as their industry was previously oversold and natural gas performed better than other commodities this week.
- The industrials and consumer staples sectors were also up this week. Industrials experienced broad based strength with transportation companies leading the charge within their sector.
- Whole Foods was the best performing stock in the S&P 500 this week, rising 17.17 percent. The company reported very strong results relative to expectations and reaffirmed expectations for 2015-2016.

Weaknesses

- The healthcare sector was the worst performer this week, following last week's strong performance. It was dragged down by Tenet Healthcare, which reported results and missed consensus estimates.

- Another area of weakness was consumer discretion, which was affected largely by companies such as Priceline and Tripadvisor, which reported missed analyst expectations.
- A notable underperformer this week was Genworth Financial, which fell 39.89 percent as the company missed expectations, took large one time charges, had a very grim outlook for its future and had its rating cut to junk by S&P.

Opportunities

- The Fed, including Janet Yellen, will be attending a Fed/European Central Bank event, which may provide positive news to help bolster support for the economy.
- Next week is also a big week for meaningful economic reports with both Initial Jobless Claims and Retail Auto Sales. The Initial Jobless Claims number could potentially have a large impact on the market
- The market made a fresh new high this week and the bull market continues to roll on.

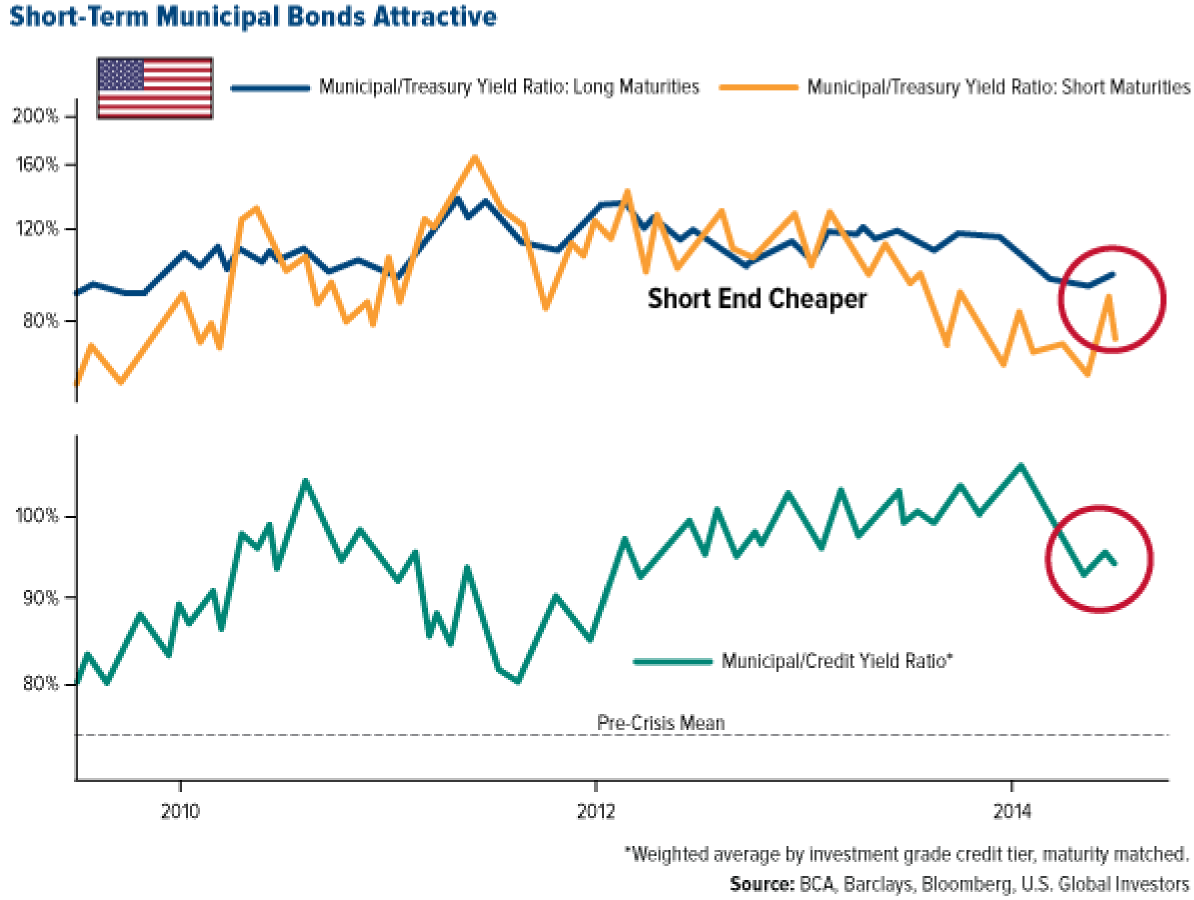
Threats

- After three consecutive positive weeks the market may take a rest before it continues its upward trajectory.
- The market continues to rely on central bankers' expanding balance sheets to maintain the bullish trajectory and one can only guess what may happen when the music stops, but this is a long-term issue.
- Geopolitical tensions continue to be at elevated levels, with constantly renewing flare-ups. One can only guess which event may be the political misstep that greatly impacts the markets.

The Economy and Bond Market

U.S. Treasury bond yields fell modestly this week after a slightly weaker than expected employment report pushed yields lower. While the report had some positives, the market viewed it as just weak enough to keep the Fed on hold and push back any interest rate hikes.

In the chart below, BCA Research highlights how the short end of the municipal curve (2-5 years) has become more compelling relative to the long-end of the curve based on the historic muni/treasury yield ratio. This portion of the muni curve is right in the sweet spot of where our Near-Term Tax Free Fund invests. BCA goes on to say that municipals are relatively attractive to similarly rated corporate bonds based on favorable credit quality trends.



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Strengths

- The ISM Manufacturing index jumped to a multi-year high even in spite of recent weakness in numerous overseas economies.
- Nonfarm payrolls rose 214,000 in October, which was below expectations but within the normal range of error. The economy has consistently produced between 200,000-300,000 jobs per month virtually all year long and this report was no different.
- While the European Central Bank left policy unchanged this week, there is still considerable momentum for policy in the near future.

Weaknesses

- Factory orders fell 0.6 percent in September. Factory orders have now contracted for the last two months.
- The trade gap unexpectedly widened in September as the stronger dollar is already impacting exports, which fell 1.5 percent.
- The JP Morgan Global PMI index was unchanged in October and has trended slightly lower over the past several months

Opportunities

- Global central banks are easing again, offsetting the incremental Fed tightening and this remains a positive for fixed income globally.
- Short-term treasury yields were relatively flat week-over -week but for most of the week traded higher and near the top end of the recent range. This is likely an opportunity as yields could reverse course. The catalyst could be retail sales which come out next week. With warm weather across most of the country last month, the October numbers could disappoint, allowing bonds to rally.
- As discussed above, municipal bonds took a relative breather last month and look like a good option in the

broader fixed income market.

Threats

- There was a fair amount of noise this week with regard to internal grumblings at the ECB. If the ECB can't or won't follow through with additional policy measures, the market would not like that instability.
- Quantitative easing has ended and the next logical step would be an interest rate hike. While estimates of when that may occur remain fluid, the Fed's relatively hawkish tone increases the risk to the bond market.
- The geopolitical situations in Ukraine heated up again this week and the potential for a misstep remains high and potential fallout would be difficult to predict.

In the News

November 7, 2014
Where Can Gold Go From Here?

November 6, 2014
Is the Heyday for Gold Over?

November 6, 2014
Understanding Volatility to Manage Expectations

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

Gold Market

For the week, spot gold closed at $1,177.98 up $4.50 per ounce, or 0.38 percent. Gold stocks, as measured by the NYSE Arca Gold Miners Index, rose 5.94 percent. The U.S. Trade-Weighted Dollar Index climbed 0.73 percent for the week.

Date	Event	Survey	Actual	Prior
Nov 02	HSBC China Manufacturing	50.4	50.4	50.4
Nov 03	U.S. ISM Manufacturing	56.1	59.0	56.6
Nov 05	U.S. ADP Employment Change	220K	230K	213K
Nov 06	U.S. Initial Jobless Claims	285K	278K	287K
Nov 07	U.S. Change in Nonfarm Payrolls	235K	214K	248k
Nov 13	China Retail Sales YoY	11.6%	--	11.6%
Nov 13	Germany CPI YoY	0.8%	--	0.8%
Nov 14	U.S. Intial Jobless Claims	280K	--	278K
Nov 14	Eurozone Core CPI YoY	0.7%	--	0.7%

Strengths

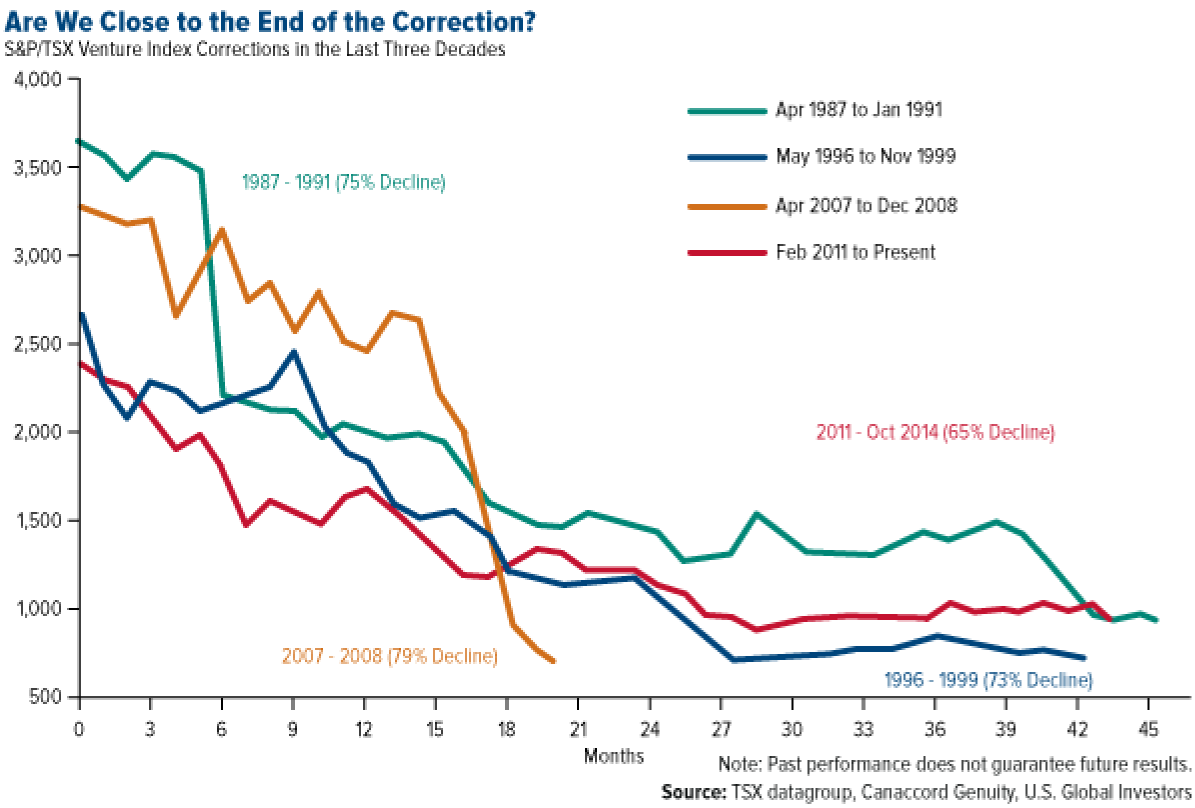
- Gold futures headed for the biggest gain since June after the U.S. September jobs report came in lighter than expected on Friday, 214,000 vs. 230,000 forecasts. The jobs report supported ongoing speculation that the Federal Reserve will continue to hold interest rates low amid tepid global growth.
- One-month gold lease rates in London, the cost to borrow bullion, soared to 0.3405 percent on Thursday vs. 0.001 percent in September, reaching a high not seen since December 2008. Reasons cited for the rate upswing ranged from supply/demand imbalances to borrowing by traders in order to short the metal.

- The U.S. Mint has temporarily run out of American Eagle Silver coins after October sales jumped 40 percent to 5.79 million ounces from a month earlier.

Weaknesses

- Lower oil prices create a headwind for gold as inflation expectations are pushed down. This reduces the inflation hedge demand for the metal.
- Holdings in the SPDR Gold Trust slid 0.3 percent to 738.8 metric tons on Tuesday to the lowest amount since September 2008. A confluence of factors has influenced the flight from the metal held my some investors as a safe haven. First, there is a mistakenly held notion in the markets that gold is one of the most volatile asset classes. In actuality, the return on equities as measured by the S&P 500 is typically twice as volatile as the return on gold bullion. Second, low gold prices have prompted some investment advisors to recommend a zero allocation to gold. Third, new highs in the equity market continue to increase investor appetite for risk assets.
- There was a selloff in gold stocks amid a broad based de-rating in the gold sector. The selloff brought a slew of gold miners near to, or below, decade lows. Among them were Barrick, Goldcorp, Newmont, Kinross and Yamana.

Opportunities



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- Canaccord Genuity came out with a study looking at the four major S&P/TSX Venture Composite Index corrections in the last three decades. The TSX Venture index is considered a good proxy for small cap gold stocks. The study found the current correction, at 43 months, the second longest as compared to the 45-month correction between April 1987 and January 1991. The study also showed the best three months to gain exposure to gold has historically been December, January, and February. With the authors believing the end to the correction could be nearing, the next couple of months could provide an attractive entry point into gold equities.
- The World Gold Council forecast in September that gold demand in China will rise 20 percent in three years. Additionally, Standard Chartered called for a $1,100 price floor, citing firming physical demand indicators out of China and India.

click to enlarge

- Wage growth could push inflation expectations up creating a tailwind for gold. BCA's U.S. Wage Tracker suggests that the underlying trend in wages has indeed increased this year. Various states such as Alaska, Arkansas, Nebraska, and South Dakota have already voted in favor of measures raising the minimum wage. Furthermore, Tuesday's elections results showed that voters from across the political spectrum support increasing the minimum wage.

Threats

- A slew of negative forecasts have cast a cloud over the direction of gold prices. ABN Amro NV forecast a year-end price of $1,100 an ounce, sliding to $800 by year-end 2015. An analyst at Oversea-Chinese Banking Corp. called for a further drop of at least 13 percent and a price that could go lower than $1,000. The UBS Economics team released its global economic forecast for 2015 and 2016 and the outlook for gold was also negative. Reasons cited included weaker China growth, a faster than expected rate hike by the Fed, and a strong U.S. dollar fueled by a capital expenditure led boom.

- Clean Diesel Technologies announced a new proprietary technology to replace costly use of platinum group and rare earth metals in catalytic converters. The company has been granted the first two of a family of patents for Spinel, a proprietary clean emissions exhaust technology. With original equipment manufacturers (OEMs) currently spending over $6 billion a year on platinum group metals, the technology could create major disruption in the commodities' demand if the patents take off.

- Looming gold reserve cuts threatens write-downs for gold miners. If gold prices stay low, gold miners will be forced to lower their reserve price assumptions, leading to write-downs. B2Gold is especially vulnerable as its 2013 reserve assumption stands at $1,350 an ounce.

Frank Talk Insight for Investors

November 6, 2014
Greece's Darkest Hour

November 3, 2014
Don't Be Spooked by Market Volatility — Opportunity Is Still Knocking!

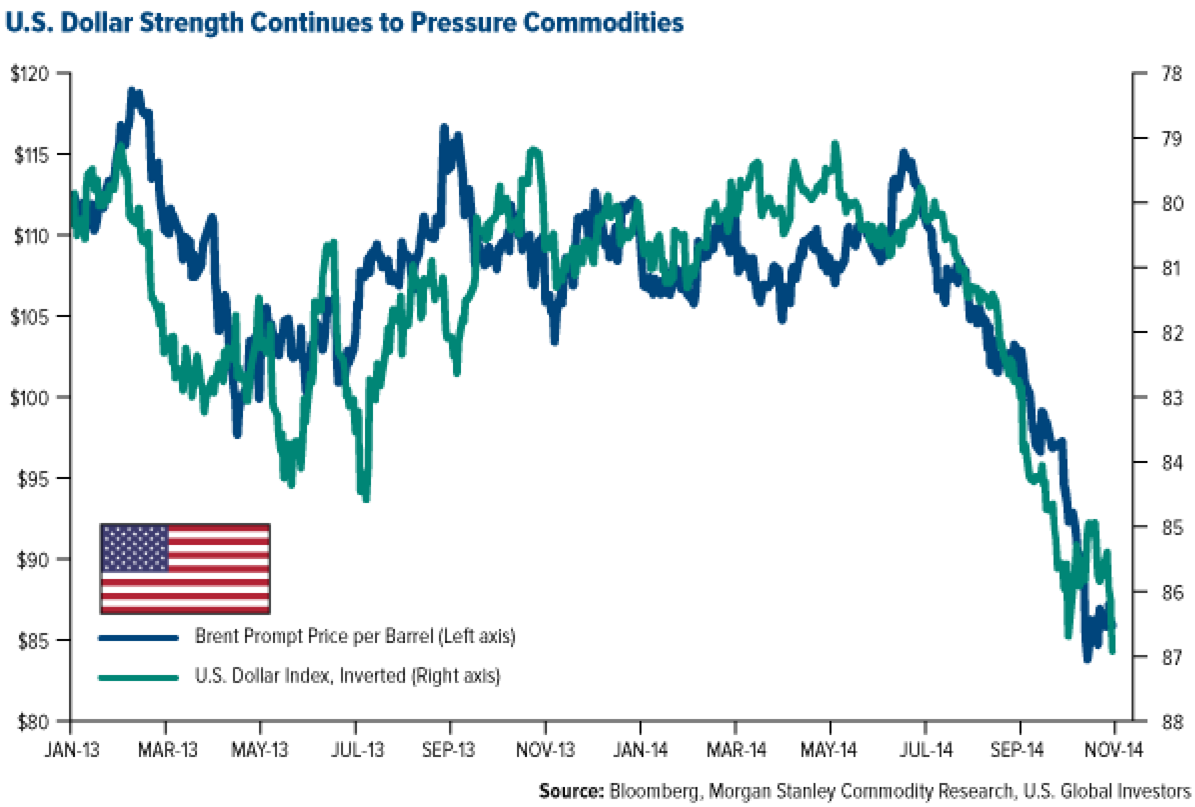
October 28, 2014
Talking Turkey with

Before Its Dawn | John Derrick

A blog by Frank Holmes, CEO and Chief Investment Officer

Global Resources Fund - PSPFX

Energy and Natural Resources Market



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Strengths

- Oil and Gas Explorers and Producers had a comeback this week as oil prices began to rebound. After reporting strong third quarter results, Devon Energy Corp. jumped 8.38 percent this week. The broader S&P Supercomposite Oil & Gas Exploration & Production Index rose 1.86 percent this week.
- Paper and Forest stocks continue to outperform in the rising dollar environment. Western Forest Products Inc. and the S&P Supercomposite Paper & Forest Products Index were up 5.17 and 3.14 percent, respectively.
- Metals and mining stocks had a huge jump on Friday, despite being down throughout most of this week. The S&P/TSX Diversified Metals and Mining Index closed up 1.49 percent this week.

Weaknesses

- The bias against small cap stocks appears to be persisting as the S&P/TSX Venture Composite Index lagged other areas this week.
- Dry bulk shipping stocks underperformed this week due to declining iron ore prices. The Bloomberg Dry Ships Index was down 6.08 percent on the week.
- Global growth slowdown concerns have not fully dissipated, as new data out of China this week revealed weaker than desired results. Consequently, metals and mining stocks underperformed throughout most of this week.
- Chemicals stocks underperformed this week relative to other industry groups. The S&P Supercomposite Chemicals Index closed roughly flat on the week.

Opportunities

- It was reported this week that Repsol SA, in order to take advantage of depressed oil price induced valuations, is planning on moving forward with a $10 billion acquisition. The company continues to search for viable targets after prior deals fell through.
- China's National Development and Reform Commission is working to implement new deregulatory measures that would decrease the number of sectors where the country limits foreign investment to 35 from 79. The move would liberalize many industries such as steel, oil refining, and paper making.
- Argentina's largest oil and gas company, YPF SA, is determined to develop the country's significant shale reserves. The company's CEO, Miguel Galuccio, is hoping that government reforms will help boost investment and development in the Vaca Muerta shale formation.

Threats

- The dollar moved to new highs this week, dispelling the notion that its far stretched rally is over. The sudden move comes predominantly on the back of the expansion in the Bank of Japan's easing program. It appears that the dollar can, in fact, go higher as the yen and euro continue to trend downward as a result of government policy, which could create more headwinds for the commodities space.
- Slowing growth in China continues to worry investors. The recent data has not been terribly encouraging and continues to weigh on investor sentiment toward global commodities, particularly industrial metals.

Emerging Markets

Strengths

- Vietnam was among the best performing Asian countries this week, as Fitch raised Vietnam's credit rating by one notch to BB- in recognition of effective government policies which helped stabilize the country's macroeconomic fundamentals.
- After declining 7.09 percent in October, Egyptian stocks have rebounded and are approaching their 52-week highs. The Egyptian Exchange EGX 30 Price Index was up 3.35 percent this week.
- Brokers are cutting fees for investments in India to record lows in order to attract foreign capital. Investors are increasingly bullish on India because of the expected government reforms, which are aimed at boosting investment and growth. The S&P SENSEX Index reached an all-time high on Wednesday.

Weaknesses

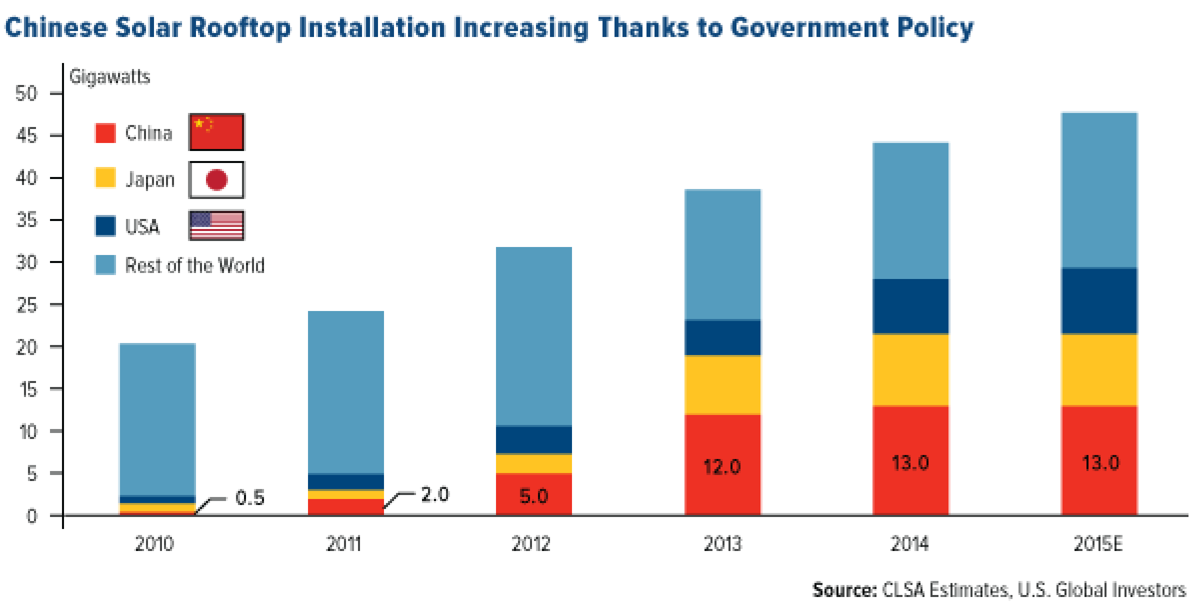
- Brazilian stocks tumbled this week as global growth concerns, combined with internal economic headwinds, caused a selloff in the real, which fell 3.95 percent against the dollar this week. The Ibovespa Brasil Sao Paulo Stock Exchange Index declined 2.57 percent this week.
- The Russian ruble tumbled this week, despite the recent rate increase by the country's central bank. Furthermore, inflation in the struggling economy is rising at its fastest pace since 2011. The ruble's continued decline reveals the lack of faith the market has remaining in Russian government policy. The currency

declined 8.26 percent against the dollar this week, the worst weekly move in eleven years.

- Indonesia was the worst performing Asian country this week, as its manufacturing PMI dipped into contractionary territory again in October after a temporary bounce in September and third quarter GDP growth came out at a slower than expected 5 percent year-over-year.

Opportunities

- The Turkish government is planning to decrease sovereign debt sales to their lowest level in twelve years. The policy move will benefit current Turkish bond holders, while simultaneously improving the fiscal situation in Turkey.
- The Bank of Japan's expanded stimulus and the resulting weaker yen, while detrimental to competing currencies in the region such as the South Korean won, should aid the Indian rupee as investors flee to the country in search for higher yields. Indian sovereign bond yields remain among the highest in the region. Higher yields combined with promising economic growth makes the country an appealing alternative destination for investors.
- Thanks to a recent Chinese government policy incentive for rooftop solar installations, Chinese solar demand in the fourth quarter of this year is expected to account for 50 percent of global solar market, given the 13 gigawatt capacity addition target, according to CLSA. Industrial rooftops and converted utility scale projects are among the potential new demand drivers. Leading solar installers in China should be set to benefit most from this development.



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Threats

- The cease-fire in Ukraine was dismantled this week after the military accused Russia of sending dozens of tanks and other artillery across the border on Thursday. The recent escalation in the Russia-Ukraine conflict continues to concern European as well as international markets.
- The dollar reached new highs this week signaling the continuation of a global deflationary and slow growth environment. While many thought the far stretched dollar's rise was subdued, this week's move shows that it still remains a real threat to the global economy.
- Speculation of imminent intervention by Bank of Korea to weaken the South Korean won following Bank of Japan's aggressive yen-weakening measures at the end of October is likely to weigh on the South Korean currency against the U.S. dollar in the near term, and therefore, challenge won-denominated assets simultaneously.

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	4.39	+0.51	+13.27%
S&P/TSX Canadian Gold Index	144.86	+10.24	+7.61%
XAU	69.04	+4.16	+6.41%
DJIA	17,573.93	+183.41	+1.05%
S&P 500	2,031.92	+13.87	+0.69%
S&P Basic Materials	305.78	+1.39	+0.46%
Gold Futures	1,176.50	+4.90	+0.42%
S&P Energy	642.80	+1.48	+0.23%
Nasdaq	4,632.53	+1.79	+0.04%
Russell 2000	1,173.32	-0.19	-0.02%
Korean KOSPI Index	1,939.87	-24.56	-1.25%
10-Yr Treasury Bond	2.30	-0.04	-1.54%
Hang Seng Composite Index	3,231.59	-53.62	-1.63%
Oil Futures	78.50	-2.04	-2.53%

Monthly Performance

Index	Close	Monthly Change($)	Monthly Change(%)
Natural Gas Futures	4.39	+0.53	+13.80%
Russell 2000	1,173.32	+76.20	+6.95%
Nasdaq	4,632.53	+163.94	+3.67%
DJIA	17,573.93	+579.71	+3.41%
S&P 500	2,031.92	+63.03	+3.20%
S&P Basic Materials	305.78	+1.87	+0.62%
S&P Energy	642.80	-2.11	-0.33%
10-Yr Treasury Bond	2.30	-0.02	-0.95%
Korean KOSPI Index	1,939.87	-25.38	-1.29%
Gold Futures	1,176.50	-29.50	-2.45%
Oil Futures	78.50	-8.81	-10.09%
Hang Seng Composite Index	3,231.59	-332.01	-14.83%
S&P/TSX Canadian Gold Index	144.86	-25.77	-15.10%
XAU	69.04	-13.06	-15.91%

Quarterly Performance

Index	Close	Quarterly Change($)	Quarterly Change(%)
Natural Gas Futures	4.39	+0.43	+10.73%
DJIA	17,573.93	+1,020.00	+6.16%
Nasdaq	4,632.53	+261.63	+5.99%
S&P 500	2,031.92	+100.33	+5.19%
Russell 2000	1,173.32	+41.97	+3.71%
S&P Basic Materials	305.78	-4.66	-1.50%
Hang Seng Composite Index	3,231.59	-97.25	-2.92%
Korean KOSPI Index	1,939.87	-91.23	-4.49%
10-Yr Treasury Bond	2.30	-0.12	-5.00%
S&P Energy	642.80	-60.70	-8.63%
Gold Futures	1,176.50	-134.50	-10.26%
Oil Futures	78.50	-19.15	-19.61%
S&P/TSX Canadian Gold Index	144.86	-58.45	-28.75%
XAU	69.04	-32.22	-31.82%

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.

Stock markets can be volatile and can fluctuate in response to sector-related or foreign-market developments. For details about these and other risks the Holmes Macro Trends Fund may face, please refer to the fund's prospectus.

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.

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.

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 9/30/14:

Barrick Gold 0.00%
Berry Plastics 0.00%
Cabot Oil & Gas Corp. (Global Resources Fund 1.81%)
Clean Diesel Technologies 0.00%
Cooper Tire & Rubber 0.00%
Devon Energy Corp. (Global Resources Fund 1.82%)
Diamond Offshore Drilling 0.00%
EOG Resources (Global Resources Fund 2.13%)
Genworth Financial 0.00%
Goldcorp Inc. (Gold and Precious Metals Fund 1.07%)
Goodyear 0.00%
Kinross Gold Corp. (Gold and Precious Metals Fund 0.07%, World Precious Minerals Fund 0.02%)
Newmont Mining Corp. (Gold and Precious Metals Fund 1.11%, World Precious Minerals Fund 0.26%)
Priceline (All American Equity Fund 3.00%, Holmes Macro Trends Fund 3.03%)
Repsol SA 0.00%
Royal Dutch Shell 0.00%
Southwestern Energy 0.00%
SPDR Gold Shares (Gold and Precious Metals Fund 0.32%)
SPDR S&P Oil & Gas Exploration & Production ETF 0.00%
Tenet Healthcare Corp. 0.00%
Tiffany & Co. (Gold and Precious Metals Fund 0.44%)
Tripadvisor 0.00%
Western Forest Products Inc. (Global Resources Fund 0.83%)
Whole Foods 0.00%
Yamana Gold Inc. (Gold and Precious Metals Fund 1.18%, World Precious Minerals Fund 0.42%)
YPF SA (Global Resources Fund 1.60%)

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 Dow Jones Transportation Average is a price-weighted average of 20 U.S. transportation stocks.

The S&P/TSX Venture Composite Index is a broad market indicator for the Canadian venture capital market. The index is market capitalization weighted and, at its inception, included 531 companies. A quarterly revision process is used to remove companies that comprise less than 0.05% of the weight of the index, and add companies whose weight, when included, will be greater than 0.05% of the index.

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.

The J.P. Morgan Global Purchasing Manager’s Index is an indicator of the economic health of the global manufacturing sector. The PMI index is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment.

The S&P Supercomposite Paper & Forest Products Index is a capitalization-weighted index.

The S&P Supercomposite Fertilizers & Agricultural Chemicals is a capitalization-weighted index.

S&P/TSX Capped Diversified Metals and Mining Index is an index of companies engaged in diversified production or extraction of metals and minerals.

The Bloomberg Dry Ships Index is a capitalization weighted index. The index was developed with a base value of 100 as of December 31, 1998.

The Bombay Stock Exchange Sensitive Index (Sensex) is a cap-weighted index. The selection of the index members has been made on the basis of liquidity, depth, and floating-stock-adjustment depth and industry representation. Sensex has a base date and value of 100 on 1978-1979. The index uses free float.

The Bovespa Index (Ibovespa) is a total return index weighted by traded volume and is comprised of the most liquid stocks traded on the Sao Paulo Stock Exchange.

The EGX 30 Index is a major stock market index which tracks the performance of 30 most liquid stocks traded on the Egyptian Exchange.