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U.S. Global Investors
Investor Alert

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U.S. Economy Turns on the Afterburners—Is a Rate Hike Next?

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

Quick, think back nine years ago to June 2006. Can you recall what was happening then?


June 2006: Shakira's hips didn't lie and rates rose for the last time.

Let me give you some hints. Shakira's "Hips Don't Lie" was blasting from radios, and moviegoers were lining up to see The Da Vinci Code. The U.S. was deeply involved in Iraq, where Saddam Hussein was being held and awaiting trial. And with Windows Vista still in beta testing, Bill Gates announced he would step down as chairman of Microsoft.

That June also marked the last time the Federal Reserve hiked interest rates.

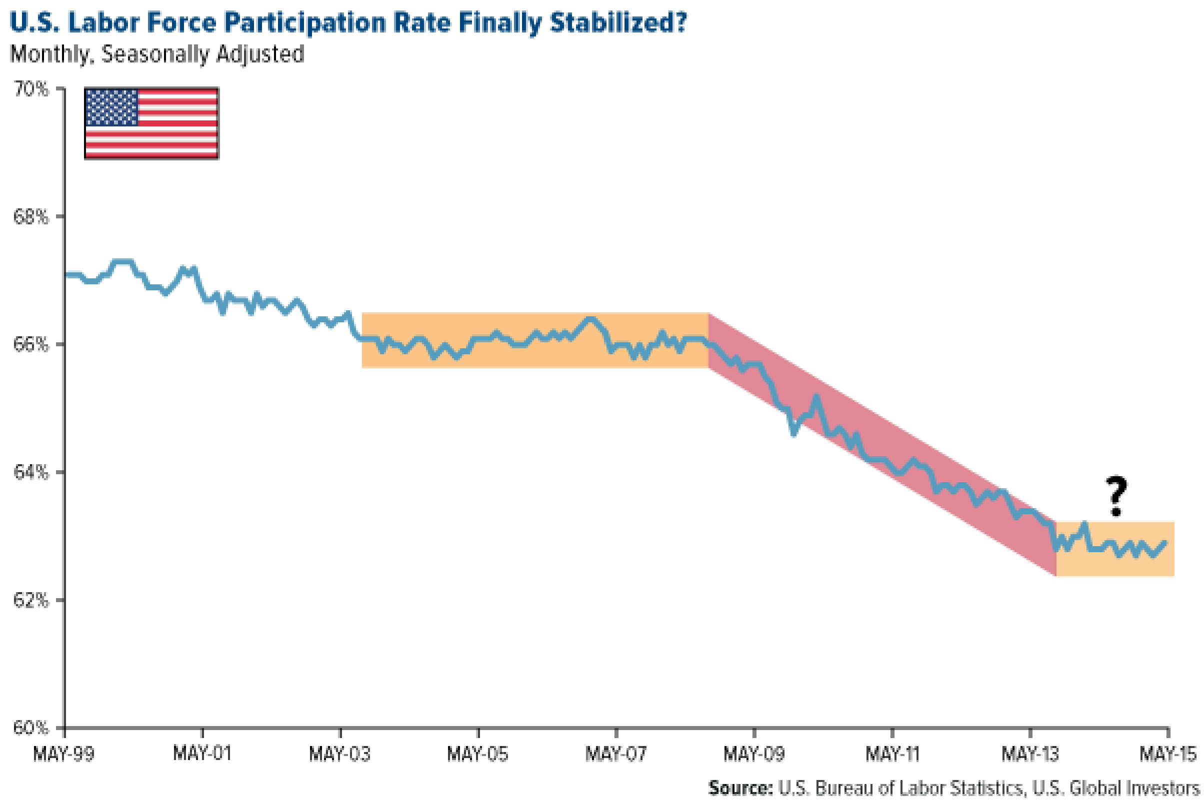
So when will they be raised again? Next Wednesday the world will tune in to see if Fed Chair Janet Yellen can answer that question. Though it's anyone's guess what she'll say, there's no denying that many of the economic indicators the Fed is keeping an eye on have sharply improved lately.

This has huge implications for investors, a topic I touched on during my recent keynote address at the Canadian Investment Conference in Vancouver. You can watch a brief segment below.

More Jobs + Better Wages = Increased Spending

The U.S. jobs market in May was strong on several fronts, indicating that the economy has indeed turned a new corner. Businesses added 280,000 jobs, beating estimates by more than 50,000, while jobless claims stayed below 300,000 for the fourteenth straight month.

Hourly wages rose 0.3 percent in May, 2.3 percent for the year. This is pulling people back into the labor force and has helped stabilize the still-low participation rate.



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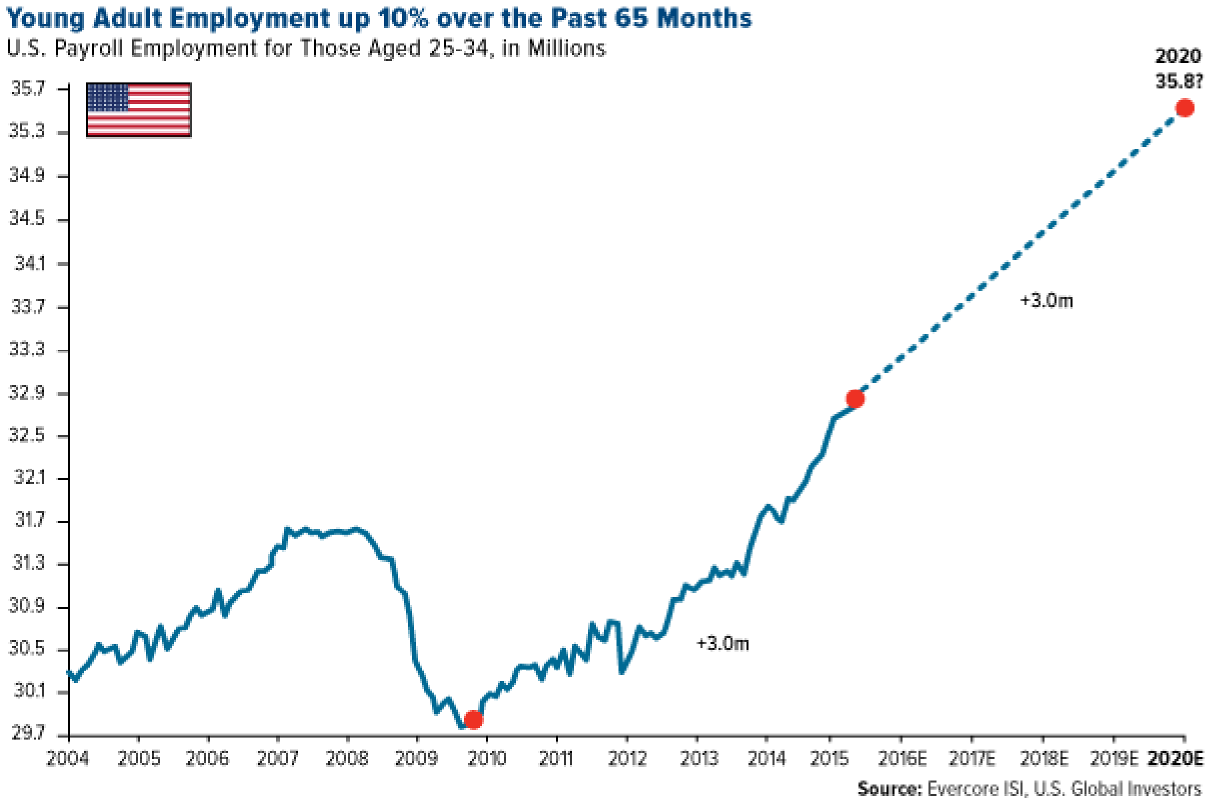
Among those finding work are young people, whose employment rate has risen over 10 percent in the last five years to add three million new workers. Investment banking and research firm Evercore ISI estimates that this trend will be sustained for the rest of the decade.

As the firm points out: “This age group drives economic growth.”



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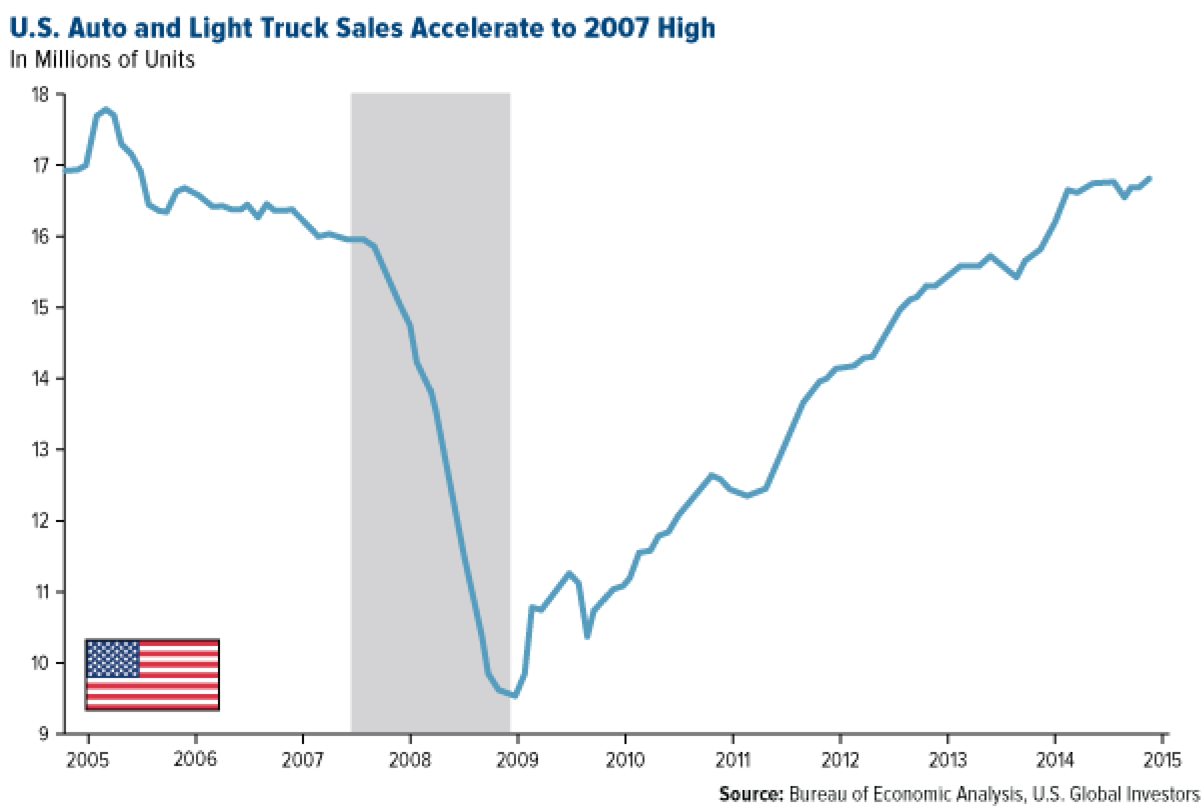
All of this is good news for individuals and businesses alike. I said in a recent Frank Talk that businesses should see job creation and wage increases as opportunities to build a new demographic of consumers and investors. We're seeing this unfold, as consumer spending is way up. Retail sales climbed 1.2 percent in May, while car and light truck sales grew 8 percent, leaving estimates in the dust. So far, 2015 is turning out to be a stellar year for automakers such as Ford, held in our All American Equity Fund (GBTFX), as they aspire to reach the psychologically important 17 million units sold.



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To meet supercharged auto demand, Ford plans to reduce the number of days its assembly plants are shut down this summer, from two weeks to one week.

$5.6 Trillion in New Aircraft Orders over the Next Two Decades…

Airlines are also positioned to benefit handsomely from an improved U.S. economy. This week, the International Air Transport Association (IATA) announced that it expects the industry's net income to ascend to a record $29.3 billion this year, an increase of 80 percent from 2014. The group also projects that return on capital will exceed borrowing costs, an industry first.

The surge in the U.S. economy is expected to help airlines achieve record income this year.

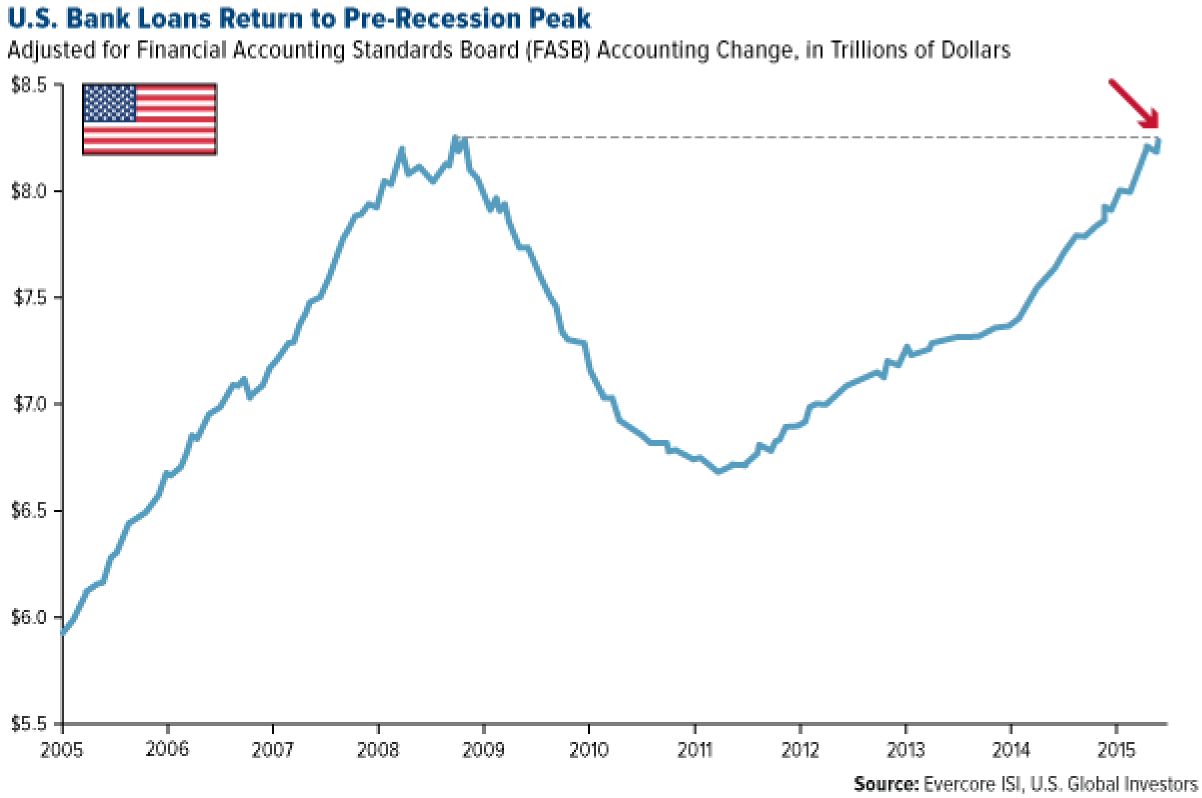
Airlines are so optimistic of sustained economic momentum that a staggering $5.6 trillion in new aircraft orders are expected to be placed over the course of the next 20 years. That's according to Boeing, which we hold in our Holmes Macro Trends Fund (MEGAX). In its latest outlook report, the aircraft manufacturer says that commercial jet fleets will more than double over this period, from 21,600 units to 43,560 units. Close to 60 percent of these new aircraft will be to accommodate growth in global air travel demand.

Check out this infographic of Boeing's current market outlook, courtesy of World Property Journal.

…And $6 Trillion in Business Deals over the Past 16 Months

In the past 16 months, businesses have authorized over 1,000 deals—including mergers and acquisitions (M&A), initial public offerings and stock buybacks—for a total of $750 billion as of May. The biggest M&As right now are chemical producer BASF's $35 billion bid to buy Syngenta's seed business, and the possible acquisition of T-Mobile by Dish for the same amount.

To fund these and other deals, businesses are increasingly turning to banks, which lent out $16 billion last week alone. This year, loan amounts are expected to surpass the previous record, suggesting that banks are gaining faith in borrowers' ability to make payments.



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Think Longer Is Always Better? Think Again

Everything seems to point to a rate hike—if not this year, then within the next 12 months. The idea might worry some investors, but it's important to keep in mind that rate normalization from current levels indicates that the economy is improving.

For municipal bond investors, this means staying with or moving into quality, shorter-term munis—the very kind our Near-Term Tax Free Fund (NEARX)) invests in—as their prices are less susceptible to rate fluctuations than longer-term bonds are.

As you can see below in the hypothetical example using a two-year, 10-year and 30-year Treasury, the further out the maturity date and higher the rate hike, the more your security would be affected. Again, these are Treasuries, not municipal bonds, but munis could be similarly affected.

The Longer the Maturity, the Greater the Price Volatility

Potential Interest Rate Increase of...		Potential Price Movement		
		2-Year Treasury	10-Year Treasury	30-Year Treasury
0.25%	=	-0.50%	-0.99%	-1.99%
0.50%	=	-2.18%	-4.36%	-8.72%
1.00%	=	-4.79%	-9.58%	-19.15%

Source: Bloomberg, U.S. Global Investors

click to enlarge

One last thing to be aware of: After a stellar performance in 2014, munis have traded sideways lately as investors await news from the Fed. The challenging nature of the bond market right now should not change your overall diversification strategy if it has always included fixed income.

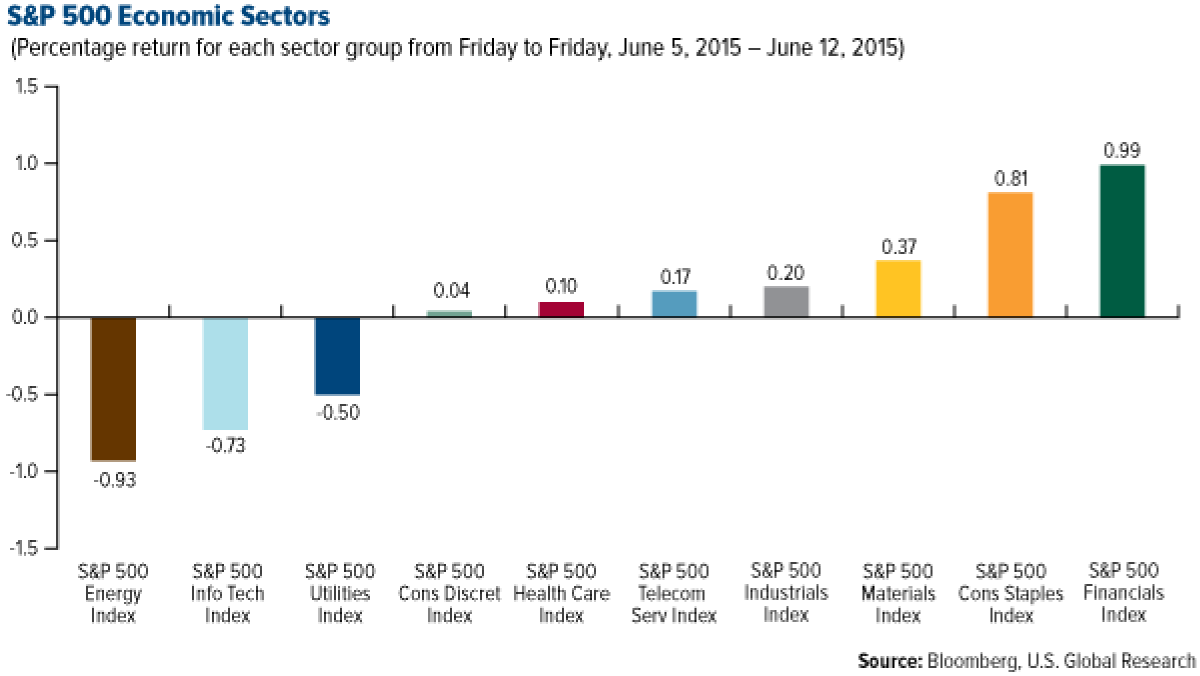
And when rates do rise—whenever that might be—our team will be able to reinvest our maturing bonds in bonds that pay higher yields.

Index Summary

- The major market indices finished mixed this week. The Dow Jones Industrial Average gained 0.28 percent. The S&P 500 gained 0.06 percent, while the Nasdaq Composite fell 0.34 percent. The Russell 2000 small capitalization index gained 0.32 percent this week.
- The Hang Seng Composite fell 0.69 percent this week; while Taiwan fell 0.41 percent and the KOSPI fell 0.77 percent.
- The 10-year Treasury bond yield was basically flat for the week at 2.39 percent.

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

Domestic Equity Market



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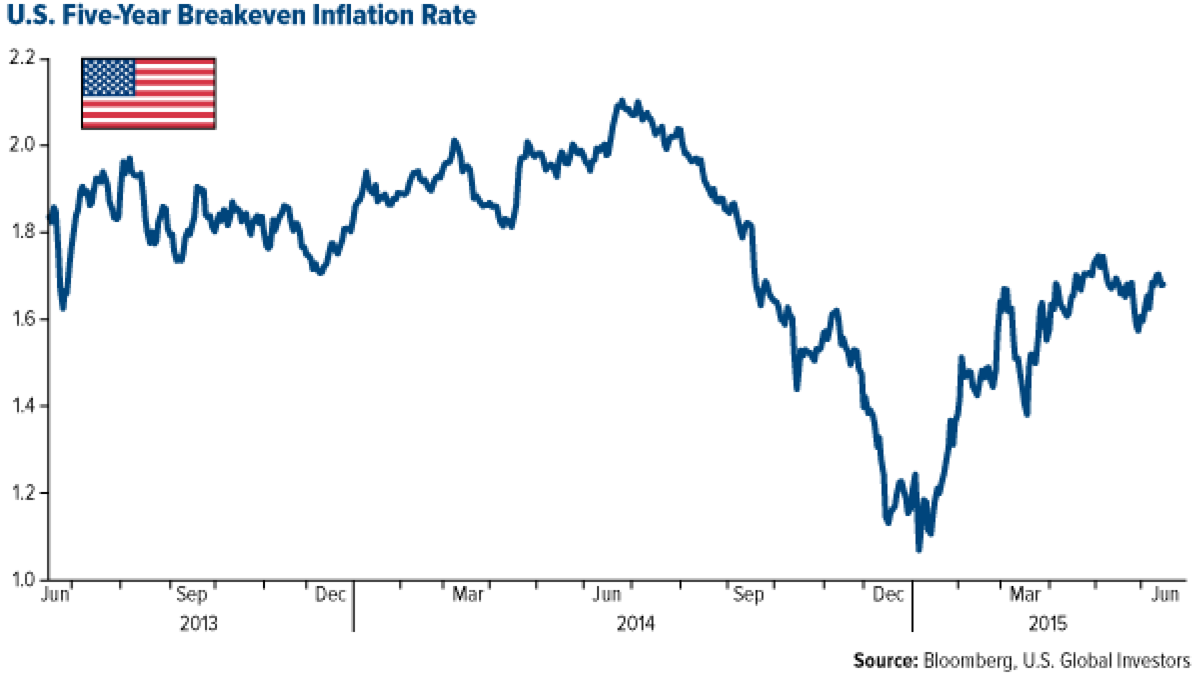
Strengths

- The financials sector was the best performer in the S&P 500 this week as the 10-year yield on U.S. Treasuries continued showing strength. The S&P 500 Financials Index closed up 1.00 percent this week.
- German industrial production grew by 0.9 percent for the month of April, outperforming analysts' expectations of 0.6 percent. Investors are closely watching economic data activity to see what effects the European Central Bank's (ECB's) bond purchasing program will have.
- U.S. retail sales, excluding automobiles and gasoline, expanded by 0.7 percent for the month of May, outperforming expectations of a 0.5 percent expansion. This data release should positively impact consumer-oriented stocks.

Weaknesses

- Energy was the worst performing sector in the S&P 500 this week as oil prices continue to lack any momentum. The S&P 500 Energy Index fell 0.93 percent this week.
- Inflation expectations, as measured by the breakeven inflation rate on five-year U.S. inflation-protected bonds, have remained static for a few weeks now. This is a negative sign that investors are not confident that global relations are taking place.



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- The U.S. dollar fell for the second week in a row and appears more and more like it is in a downtrend. This is negative for the U.S. consumer and any related companies.

Opportunities

- The NFIB Small Business Optimism Index rose to 98.3 for the month of May, surpassing analysts' forecast. This is very positive for U.S. growth, especially with the Federal Reserve looking to raise interest rates in September.
- Consumer confidence remains considerably strong, as the University of Michigan Consumer Sentiment Index jumped to 94.6 from 90.7 the prior month. Consumer-oriented stocks could receive further tailwinds from the expected increase in spending.
- Industrial production growth for the month of May will be released next week. This indicator is expected to increase from the prior month's disappointing reading.

Threats

- Germany's two important economic surveys, the ZEW Germany Assessment of Current Situation and the ZEW Germany Expectation of Economic Growth, will be released next week as well, and are expected to yield negative results.
- Germany's consumer price index (CPI) inflation data for the prior month will be released next week and is expected to remain unchanged, according to analysts.
- Certain yield-sensitive areas such as utilities and MLPs remain under considerable pressure given the recent breakout in the U.S. government 10-year yield.

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

The Economy and Bond Market

Greece's financial future is looking more precarious after another week of debt negotiations yielded no tangible results. Global stocks surged and bonds sold off sharply as hopes for a Greek agreement rose before retracing that movement when the stalemate continued. The 10-year U.S. Treasury yield ended the week at 2.38 percent and the 10-year German bund yield fell to 0.83 percent after hitting resistance midweek at 2.5 percent and 1.0 percent, respectively. WTI crude oil ended the week just shy of $60 per barrel, with Brent crude just under $64.

Strengths

- A big puzzle in the U.S. economy in recent months is weak consumer spending despite strong job growth, a mild pick-up in wages, improved confidence and low gas prices. Hence, the strong May retail sales report was a relief. Headline sales jumped 1.2 percent and prior months were revised higher. The U.S. consumer isn't dead after all.

- The Federal Reserve's Labor Market Conditions Index (LMCI) rose 1.3 points in May, after declining by 0.5 in April. The improvement in the index is consistent with improvements in the employment report, although the LMCI reflects a much broader set of market indicators. Prior months were revised up as well.

- Wholesale inventories added 0.4 percent in April, above the expected 0.2 percent month-over-month and up from 0.2 percent month-over-month in March (revised up from 0.1 percent initially). The stronger-than-expected data bodes well for second-quarter GDP growth.

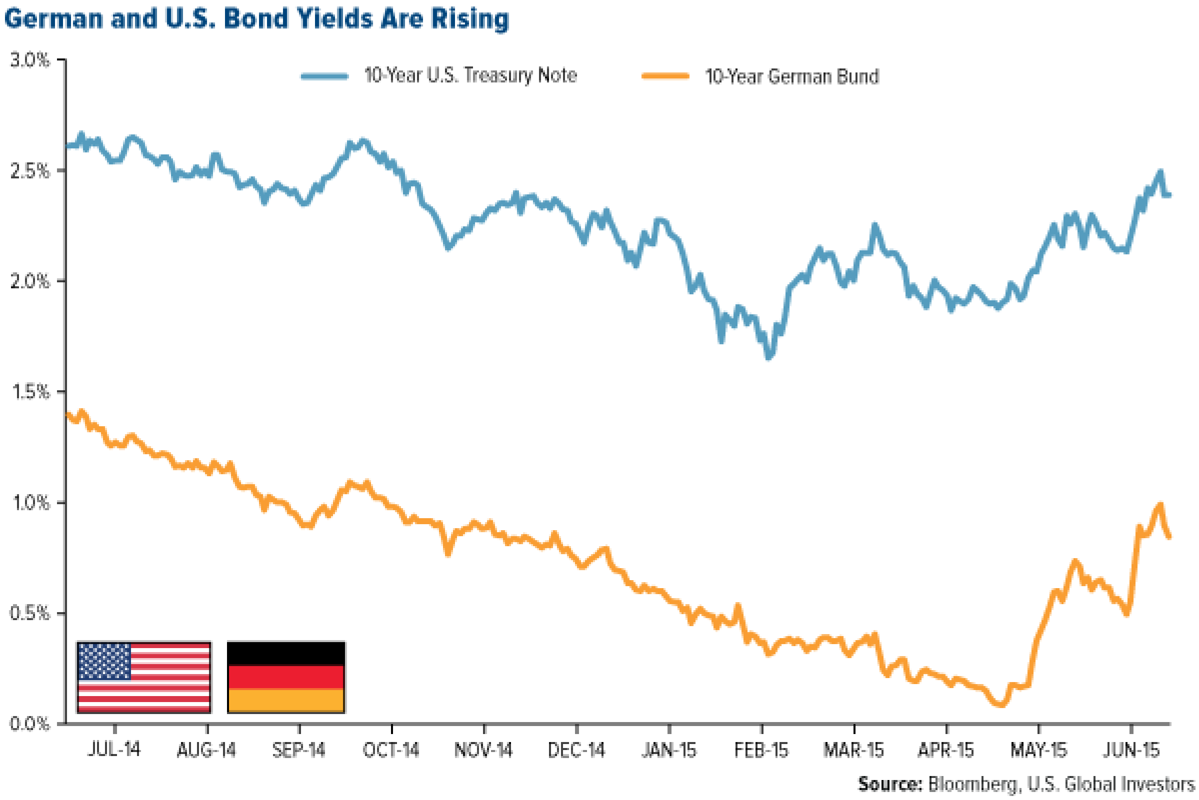
Weaknesses

- The volatility in government bond markets is now much greater than in the stock markets for the first time in a very long period. This type of movement is unusual and serves as yet another example of the dangerous distortions being created by the G7 countries and central banks. The volatility has been fueled by the increasing probability of tightening by the Federal Reserve. Additionally, the lack of liquidity in bond markets is a consequence of (1) the G7 central banks buying so many government bonds and (2) the regulatory-driven dramatic reduction in the sell-side's holdings of debt securities on their own balance sheets.

click to enlarge

- Overseas disinflationary pressure continues to be present as the import price index remains in deep negative territory at -9.6 percent.

- Although volatility moderated towards the end of the week, both U.S. and German yields remain near multi-month highs. This week saw the largest weekly global bond outflow in 18 months with $5.9 billion in outflows.



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Opportunities

- The Empire State Manufacturing Index is likely to rise to 6.0 in June after two months of relatively disappointing reports. The biggest driver supporting the rise will be aggregate demand, which has shown signs of resurgence following the slowdown at the beginning of the year.
- May housing starts could dip back to a 1.05 million unit rate (SAAR) as a giveback from the exceptional gain in April. However, this would leave the three-month moving average at the same pace, up from the 993,000 rate in April. Looking forward, housing starts should continue on an upward trajectory as household formation recovers along with improving labor market conditions.
- The Federal Reserve is unlikely to hike rates at the June Federal Open Market Committee (FOMC) meeting, but September should remain in focus as recent activity data has improved on net. The assessment of the economy should note modest improvement in the data on net since the April meeting, particularly the labor market, which has been key to Fed hiking plans. Conversely, core PCE inflation has softened recently, but the FOMC will likely attribute that to transitory factors. The improved U.S. outlook could be partially offset by an increase in global risks such as Greece. There should be no substantive changes to the policy discussion, however, as the FOMC continues to be data dependent.

Threats

- May's headline consumer price index (CPI) data, to be released next week, will likely jump to the expected 0.5 percent month-over-month, particularly due to the increase in energy prices.
- The current account deficit likely swelled in in the first quarter and could end up being higher than the expected -$116.4 billion, owing to the deterioration in goods and services. It looks as though the strong U.S. dollar appreciation has held back exports, especially on the manufactured goods side.
- With the rise in government bond yields, 30-year fixed mortgages have been pushed to multi-month highs, potentially deterring first-time homeowners.

In the News

June 10, 2015
Then and

June 8, 2015
Frank: China Currency Could Be

June 4, 2015
U.S. Global Investors

Now: Interest Rates and Gold

the Catalyst that Pushes Gold Higher

Continues GROW Dividends

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

Gold Market

For the week, spot gold closed at $1,181.65 up $9.65 per ounce, or 0.82 percent. Gold stocks, as measured by the NYSE Arca Gold Miners Index, lost 1.59 percent. The U.S. Trade-Weighted Dollar Index slipped 1.39 percent for the week.

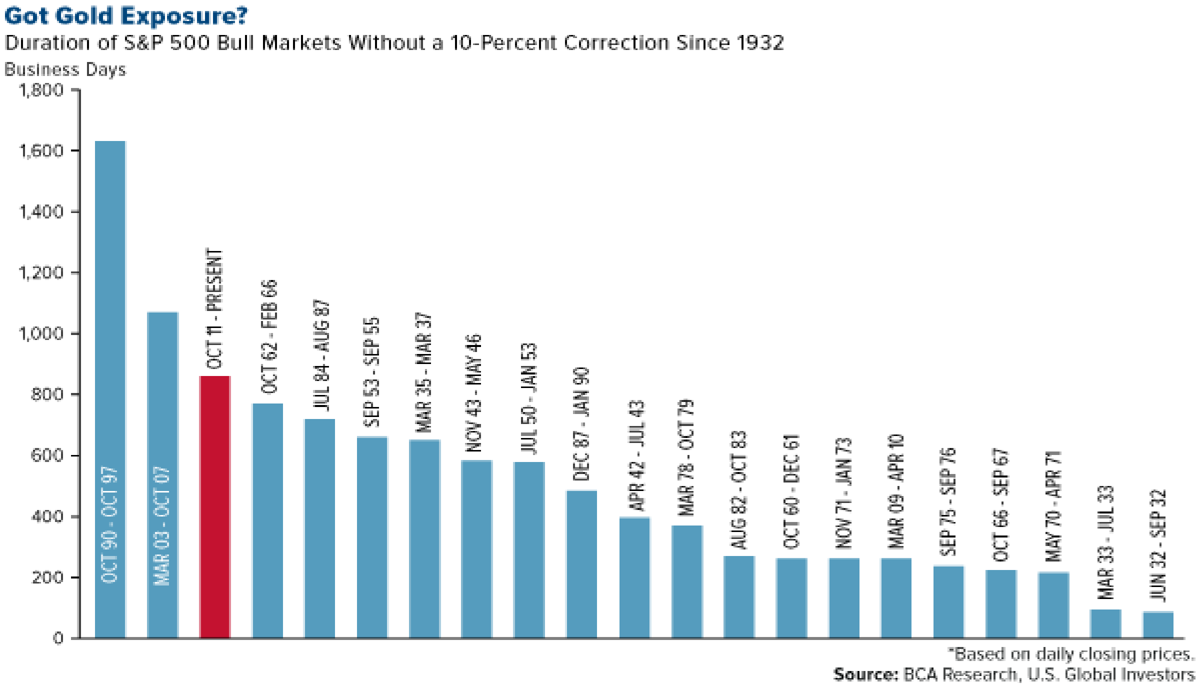
Date	Event	Survey	Actual	Prior
Jun-11	China Retail Sales YoY	10.10%	10.10%	10.00%
Jun-11	U.S. Initial Jobless Claims	275K	279K	276K
Jun-12	U.S. PPI Final Demand YoY	-1.10%	-1.10%	-1.30%
Jun-16	Germany CPI YoY	0.70%	--	0.70%
Jun-16	Germany ZEW Survey Current Situation	63	--	65.7
Jun-16	Germany ZEW Survey Expectations	37.3	--	41.9
Jun-16	U.S. Housing Starts	1100K	--	1135K
Jun-17	Europe CPI Core YoY	0.90%	--	0.90%
Jun-17	U.S. FOMC Rate Decision (Upper Bound)	0.25%	--	0.25%
Jun-18	U.S. CPI YoY	0.00%	--	-0.20%
Jun-18	U.S. Initial Jobless Claims	277K	--	279K

Strengths

- Gold traders are split over the prospects for gold after prices recovered from an 11-week low reached on June 5. Shanghai Gold Exchange withdrawals reached 1,015.4 million tons as of June 5 and are on track to exceed last year's withdrawals.
- The U.S. dollar slid after a French official said President Barack Obama told delegates at the G7 summit on Sunday that the strong dollar posed a problem. The dollar then pared its declines after the White House denied the statement. Omar Esiner, chief market analyst at Commonwealth Foreign Exchange, stated that there is a sense that both monetary- and policy-makers may be starting to become uncomfortable with the dollar's strength.
- The gold monetization scheme in India aims to unlock the value of jewelry sitting idle. However, the current plan may not be enough to lure people to park their gold in a scheme that offers one gram for every 100 in a year. Furthermore, it may prove difficult to overcome people's sentimental attachment to their jewelry assets placed on deposit as they will be melted for only a 1-percent return.

Weaknesses

- Assets in the world's biggest gold-backed exchange-traded product slumped to the lowest since the start of the financial crisis as equities rallied and investors prepared for the onset of higher U.S. interest rates, hurting demand. Federal fund futures contracts are showing about a 58-percent probability that the Federal Reserve will raise rates by the end of the year.



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- Global coin demand this year will probably slump to the lowest since 2008, according to TD Securities. Some bloggers are using this and the gold ETF liquidations to support their disposition that gold should be avoided at this time. However, as the chart above shows, we are now approaching some of the longest timeframes without a 10 percent correction in the S&P 500 Index. As we outlined last week in our Investor Alert, the Fed is intent on ending its free money policy; Net Free Credit is at an extremely low reading; long rates have spiked, wiping billions out of fixed income market—what else might go wrong? A correction in the stock market is inevitable, as the data shows. Practice safe asset allocation; own some assets that don't correlate to market returns, such as gold and or gold stocks, so you have a diversified portfolio to manage market volatility.
- The latest quarterly update of exploration spending from the Australian Bureau of Statistics shows spending on mineral exploration in the country hit a fresh, near-decade low.

Opportunities

- Deals are starting to happen and we believe that this will set the stage for further consolidation and rationalization in the gold mining sector. Newmont Mining agreed to buy the Cripple Creek & Victor mine in Colorado from AngloGold Ashanti for $820 million. We see the price paid to acquire the asset giving most of the value accretion over to AngloGold.
- A second consolidation announced this week will likely deliver some real value creation in the future. Five junior companies came together to form one entity that will be worth an estimated $122 million. Collectively they have four projects holding more than six million ounces of high grade gold, along with $65 million in cash. The deal was triggered by a $20 million investment by Osisko Gold Royalties into Oban Mining, which is leading the consolidation. Two of the juniors, struggling to advance existing projects, are to join forces with three that have significant cash piles but little in the way of exploration assets. The projects are located in Quebec and Ontario. John Burzynski, co-founder of Osisko Mining, will be the new CEO and Sean Roosen and Ned Goodman will be co-chairmen. In other news in the junior space, Eastmain Resources announced it has filed an independent National Instrument 43-101 technical report on its Clearwater gold project, which hosts 885,000 ounces of gold at a grade of 4.05 grams per tonne (g/t). For an open pit mining operation, this would be one of the highest-grade projects available in North America of significant merit. In addition, Balmoral Resources reported its final winter drill results at Bug Lake that included intercepts of 4.16 g/t gold over 38.19 meters, including a high-grade core of 25.05 g/t gold over 5.10 meters and 17.71 g/t gold over 9.00 meters.

- A new research report by analyst Simona Gambarini of Capital Economics suggests official sector buying can take much of the credit for establishing something of a floor for gold this year. Central banks have upped their share of overall gold demand from around 2 percent in 2010 to as much as 14 percent last year. Gambarini expects this trend to strengthen, thereby pushing up the gold price. Capital Economics has a year-end gold forecast of $1,400 per ounce.

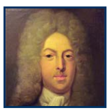
Threats

- The $6 billion Resolution Copper Project in Arizona was discovered almost two decades ago and is slated to become North America's largest copper mine. However, don't expect production to start anytime soon due to the length of time it takes to get permits. Co-owners Rio Tinto and BHP Billiton waited 10 years to get federal approval in December to gain access to the land. It will likely take another five years to get permits from various federal, state and local agencies. The tortuous bureaucratic process to approve new mining projects in the U.S. is among the slowest in the world.

- Metals Focus took a look at the 10 major gold producers as a peer group to analyze performance and concluded that while costs have improved, the effective "shareholder margin" was very slim. As such, it is hardly surprising that companies have cut or even suspended shareholder dividends.

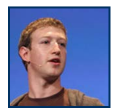
- South African gold producers and unions will start wage negotiations on June 22. Workers are asking for an 80-percent wage increase ahead of negotiations. The elected general secretary of the National Union of Mineworkers commented that "we think it's highly affordable."

Frank Talk Insight for Investors



June 11, 2015
Breaking from the Gold Standard Had Disastrous Consequences

June 8, 2015
Billions and Billions Pour into India and China

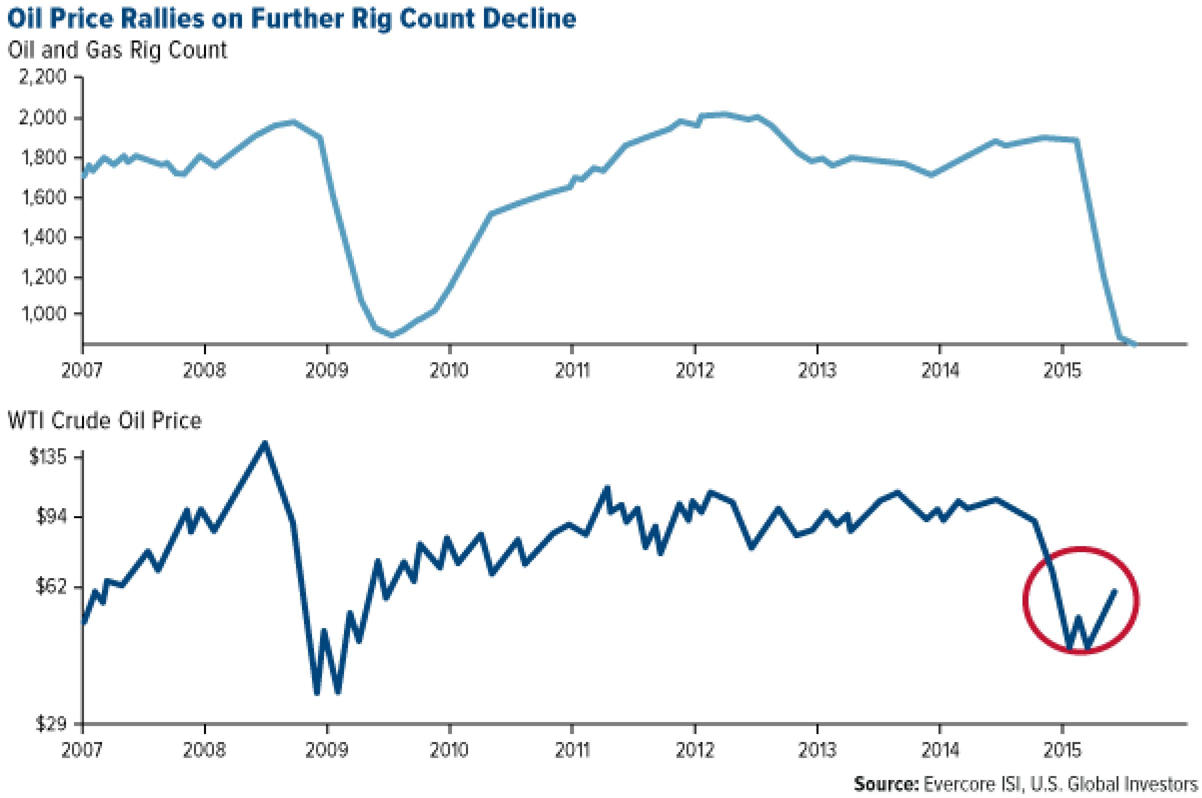


June 3, 2015
These Self-Made Billionaires Prove Piketty Wrong about Wealth

A blog by Frank Holmes, CEO and Chief Investment Officer

Global Resources Fund - PSPFX

Energy and Natural Resources Market



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Strengths

- Iron & steel equities outperformed this week amid steadily improving iron ore prices. The Bloomberg World Iron & Steel benchmark gained 1.1 percent over the prior five days.
- Given the recent rebound in iron ore prices, dry bulk shipping stocks gained for a second consecutive week. The Bloomberg Dry Ship Index increased by 3 percent for the week.
- Chemical stocks led a majority of the natural resource equities during the week on solid margins and an improving economic backdrop. The S&P 500 Chemicals Index gained 0.7 percent in the period.

Weaknesses

- Offshore drilling stocks continue to be highly correlated to crude oil prices. This is because of their higher cost projects as well as financial leverage. The S&P Oil & Gas Drilling Index declined 3.7 percent over the past five days.
- Concerns over a rate hike by the Federal Reserve, along with the threat of rising interest rates, continue to weigh on bond proxies such as oil & gas infrastructure MLPs. The Alerian MLP Infrastructure Index dropped 1.5 percent in the week.
- Gold stocks underperformed this week in response to a stronger U.S. dollar and higher U.S. Treasury yields. The NYSE Arca Gold Miners Index fell 1.6 percent this week.

Opportunities

- Next week's Department of Energy (DOE) crude oil report could show further declines in inventory levels given very strong demand for refined products such as gasoline. Oil refinery utilizations are at the second highest level in nine years.
- The Federal Reserve's FOMC interest rate decision on Wednesday has the potential to positively impact commodities and related equities if expectations for a rate hike decrease later this year.
- Next week's housing starts and building permits data could show continued improvements, supporting further gains in lumber prices.

Threats

- The U.S. dollar rose late in the week in advance of next week's interest rate decision from the Fed. If the dollar continues to strengthen above near-term resistance levels, it could point to further dollar strength and commodity weakness.
- According to weekly DOE crude oil production data, U.S. production rose for a third consecutive week, which weighed on both WTI and Brent prices. If this trend continues, oil prices may fall significantly in the back half of the year, as inventories fail to decline fast enough from a lower rig count.
- Copper prices remained relatively flat this week despite weak data from China's Fixed Asset Investment report. However, if the current trend continues copper prices may weaken over the summer before experiencing seasonal strength later in the year.

China Region Fund - USCOX • Emerging Europe Fund - EUROX

Emerging Markets

Strengths

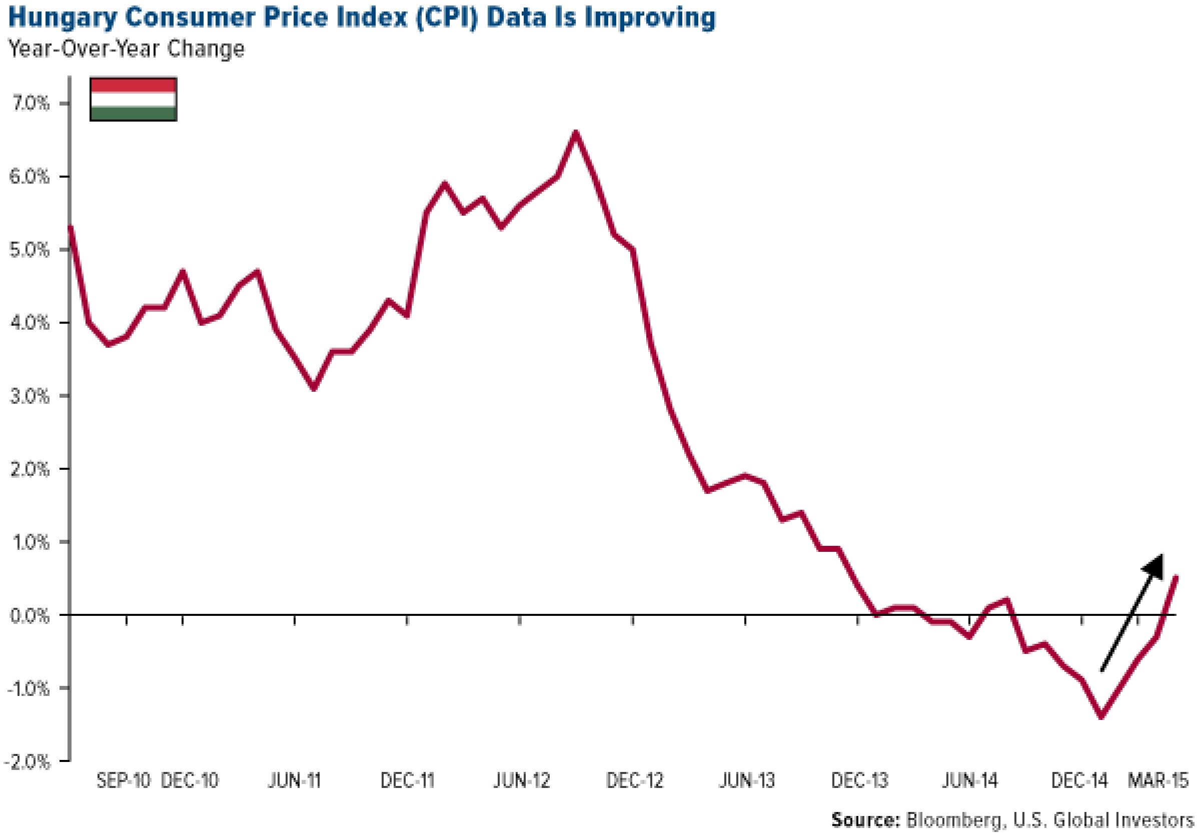
- Chinese equities outperformed on the back of speculation that the government will continue to foster economic growth through monetary easing. Furthermore, new yuan loans increased to 900.8 billion in May, while the M2 money supply growth rate increased to 10.8 percent. The Shanghai Stock Exchange Composite Index rose 2.85 percent this week.
- The Russian ruble bounced back from its sharp downside move last week as the central bank ceased purchasing dollars in order to stem the currency's rapid appreciation. The ruble rose 2.78 percent against the dollar this week.
- The U.S. dollar retreated for the second straight week, adding further support to the technical notion that the currency is rolling over. The DXY Index fell 1.38 percent this week.

Weaknesses

- Turkish equities along with the lira declined this week after the ruling AKP Party failed to secure the necessary amount of seats to retain power. The new uncertainty surrounding the inability of the various parties to form a coalition helps to explain the underperformance. The Borsa Istanbul 100 Index fell 1.72 percent this week and the Turkish lira fell 1.52 percent.
- Hungarian equities retreated this week on the back of little material information to explain the move. The Budapest Stock Exchange Index fell 2.01 percent this week.
- Greek equities were considerably volatile this week. The market reacted negatively on the decision to "kick the can down the road" in terms of the country's debt repayment timeline. On a positive note, the rhetoric regarding the negotiations appears to becoming more positive on both sides. The Athens Stock Exchange fell 1.48 percent this week.

Opportunities

- Consumer prices in Hungary grew at the fastest rate this year, on a year-over-year basis, highlighting the effect of the central bank's significant string of rate cuts. Inflationary pressures are certainly a welcome sign in the Hungarian economy.



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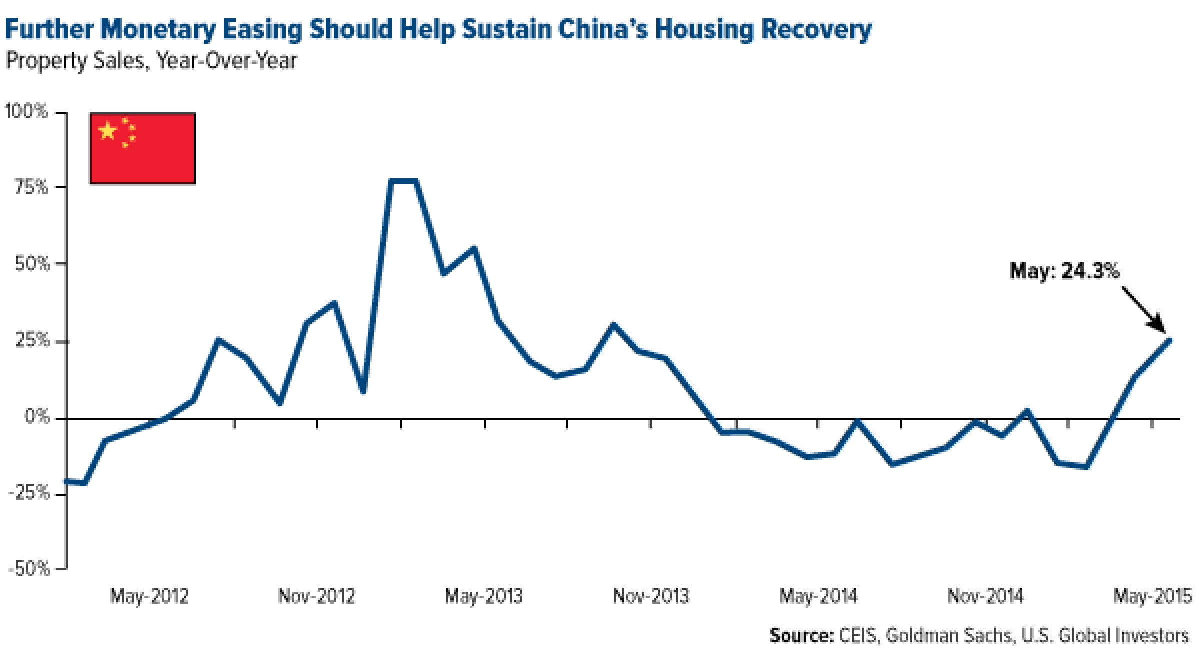
- Polish consumer price index (CPI) data will be released next week. As investors remain uncertain on the necessity of further easing, the CPI number will be an important one to monitor. Analysts are expecting the month-over-month growth rate in consumer prices to contract by 0.7 percent, an improvement from the prior month's contraction of 1.1 percent.
- Tenacious deflationary pressure along with anemic domestic demand in China, as revealed in the May economic data, should raise expectations from investors of further government policy easing (monetary, fiscal or administrative). This backdrop could benefit interest- rate sensitive and attractively-valued sectors the most such as banks and property developers. This would reinforce the ongoing visible recovery of property sales thanks to lower financing costs and rising wealth effects from the momentous equity bull market.



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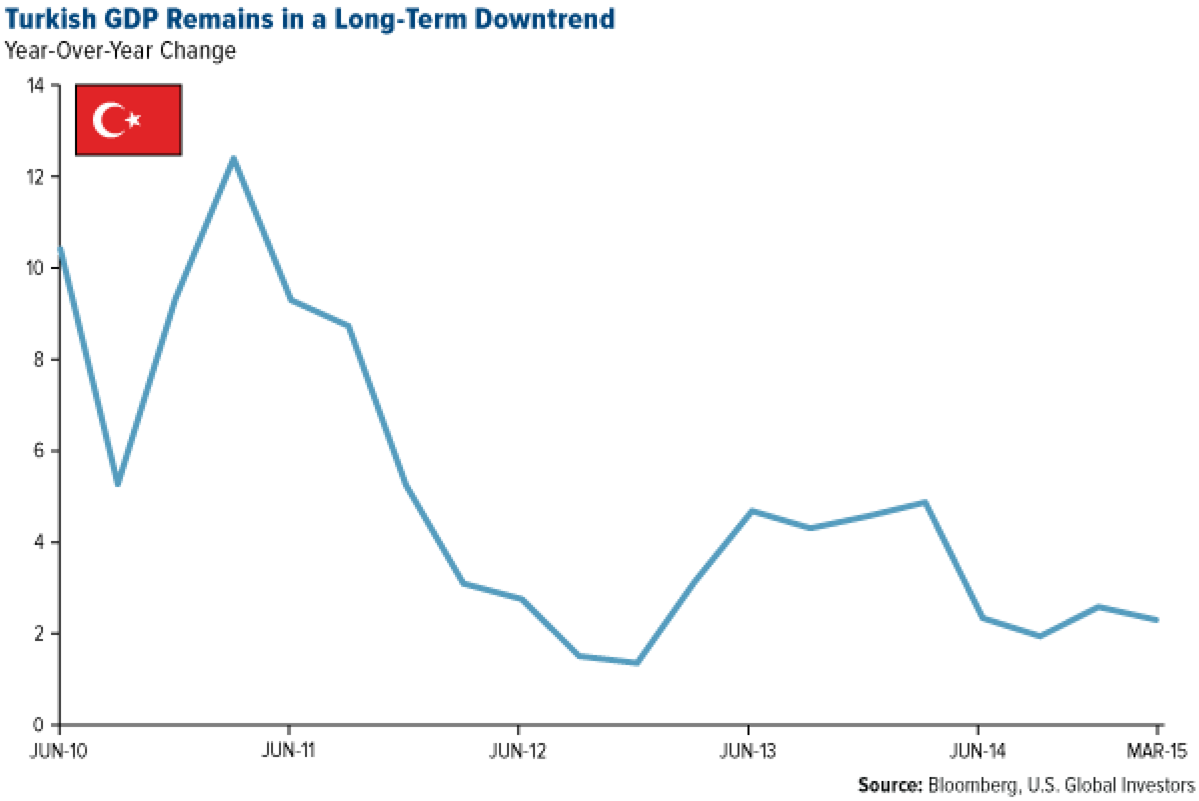
Threats

- Clearly the outcome of the Turkish elections creates a severe amount of uncertainty surrounding the country's political future. If a coalition government is not formed then a snap election will be called, which could further intensify the uncertainty. Furthermore, the country's macro situation remains considerably gloomy, with year-over-year GDP growth falling to a timid 2.3 percent.



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- Despite the positive change in the rhetoric surrounding the debt negotiations, there still remains considerable risk that Greece could default and be removed from the eurozone.

- The Indonesian rupiah remains susceptible to further weakness against a tightening scare in the U.S. Similarly, the macro thesis of owning Indonesian stocks is being challenged as President Jokowi's 30-percent tax revenue growth assumption appears increasingly illusive in a slowing economy, therefor diminishing the likelihood of realizing a fresh infrastructure investment cycle promised earlier. It may not be a stretch to argue that, in U.S. dollar terms, the bear market in Indonesian equities has resumed.

Leaders and Laggards

Weekly Performance

Index	Close	Weekly Change($)	Weekly Change(%)

DJIA	17,898.84	+49.38	+0.28%
S&P 500	2,094.11	+1.28	+0.06%
S&P Energy	560.60	-5.28	-0.93%
S&P Basic Materials	313.97	+1.15	+0.37%
Nasdaq	5,051.10	-17.36	-0.34%
Russell 2000	1,265.02	+4.01	+0.32%
Hang Seng Composite Index	3,805.32	-26.53	-0.69%
Korean KOSPI Index	2,052.17	-15.93	-0.77%
S&P/TSX Canadian Gold Index	154.30	-5.14	-3.22%
XAU	66.55	-1.17	-1.73%
Gold Futures	1,180.60	+12.50	+1.07%
Oil Futures	60.01	+0.88	+1.49%
Natural Gas Futures	2.76	+0.17	+6.41%
10-Yr Treasury Bond	2.39	-0.02	-0.71%

Monthly Performance

Index	Close	Monthly Change($)	Monthly Change(%)
DJIA	17,898.84	-161.65	-0.90%
S&P 500	2,094.11	-4.37	-0.21%
S&P Energy	560.60	-25.72	-4.39%
S&P Basic Materials	313.97	-3.68	-1.16%
Nasdaq	5,051.10	+69.41	+1.39%
Russell 2000	1,265.02	+32.75	+2.66%
Hang Seng Composite Index	3,805.32	-54.58	-1.41%
Korean KOSPI Index	2,052.17	-61.99	-2.93%
S&P/TSX Canadian Gold Index	154.30	-15.92	-9.35%
XAU	66.55	-8.69	-11.55%
Gold Futures	1,180.60	-38.60	-3.17%
Oil Futures	60.01	-0.49	-0.81%
Natural Gas Futures	2.76	-0.18	-6.10%
10-Yr Treasury Bond	2.39	+0.10	+4.23%

Quarterly Performance

Index	Close	Quarterly Change($)	Quarterly Change(%)
DJIA	17,898.84	+149.53	+0.84%
S&P 500	2,094.11	+40.71	+1.98%
S&P Energy	560.60	+15.73	+2.89%
S&P Basic Materials	313.97	+1.96	+0.63%
Nasdaq	5,051.10	+179.34	+3.68%
Russell 2000	1,265.02	+32.88	+2.67%
Hang Seng Composite Index	3,805.32	+528.09	+16.11%
Korean KOSPI Index	2,052.17	+66.38	+3.34%
S&P/TSX Canadian Gold Index	154.30	-3.60	-2.28%
XAU	66.55	+0.97	+1.48%
Gold Futures	1,180.60	+26.50	+2.30%

Oil Futures	**60.01**	**+15.17**	**+33.83%**
Natural Gas Futures	**2.76**	**+0.03**	**+1.06%**
10-Yr Treasury Bond	**2.39**	**+0.28**	**+13.05%**

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.

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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 03/31/2015:

Microsoft Corp.: All American Equity Fund, 0.90%
Ford Motor Co.: All American Equity Fund, 1.25%
The Boeing Co.: Holmes Macro Trends Fund, 1.61%
BASF: 0.0%
Syngenta AG: Global Resources Fund, 3.07%
T-Mobile: 0.0%
Dish Network Corp.: 0.0%
Newmont Mining Corp.: Gold and Precious Metals Fund, 1.10%; World Precious Minerals Fund, 0.06%
AngloGold Ashanti Ltd: Gold and Precious Metals Fund, 0.07%; World Precious Minerals Fund, 0.08%
Osisko Gold Royalties: Gold and Precious Metals Fund, 0.48%; World Precious Minerals Fund, 0.68%
Oban Mining Corp.: 0.0%
Eastmain Resources, Inc.: World Precious Minerals Fund, 0.66%
Balmoral Resources Ltd: World Precious Minerals Fund, 1.35%
Rio Tinto plc: 0.0%
BHP Billiton Ltd: Global Resources Fund, 2.95%

*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 National Federation of Independent Business's (NFIB) Index of business optimism is based on responses from 1221 member firms.
The University of Michigan Consumer Sentiment Index is comprised of measures of attitudes toward personal finances, general business conditions, and market conditions or prices.
ZEW Germany Expectation of Economic Growth is a survey on the question of economic growth in six months.
The Federal Reserve Labor Market Conditions Index is calculated as a weighted average based on 19 monthly labor market indicators to gauge improvements in the labor market.
The New York Empire State Manufacturing Survey is sent out to companies in the manufacturing industry in New York state. The survey provides an early indication of business conditions, such as price levels and employment trends, and it gives an indication of changes in sentiment. The survey is produced by the Federal Reserve Bank of New York and is released around the middle of the month.
The Bloomberg World Iron & Steel Index is a capitalization-weighted index of the leading iron/steel stocks in the world.
The Bloomberg Dry Ships Index is a capitalization weighted index.
The S&P 500 Chemicals Index is a capitalization-weighted index that tracks the companies in the chemicals industry as a subset of the S&P 500.
The S&P 500 Oil & Gas Drilling Index is a capitalization-weighted index. The index is comprised of four stocks whose primary activity is drilling for oil on land or at sea.
The Alerian MLP Infrastructure Index, comprised of 25 energy infrastructure Master Limited Partnerships, is a liquid, midstream-focused subset of the Alerian MLP Index (NYSE: AMZ). The index, whose constituents earn the majority of their cash flow from the transportation, storage, and processing of energy commodities, provides investors with an unbiased benchmark for the infrastructure component of this emerging asset class.
The Shanghai Composite Index (SSE) is an index of all stocks that trade on the Shanghai Stock Exchange.
The DXY Index is a measure of the value of the U.S. dollar relative to other currencies.
The Borsa Istanbul 100 Index is a capitalization-weighted index composed of National Market companies except investment trusts.
The Budapest Stock Exchange Index is a capitalization-weighted index adjusted for free float. The index tracks the daily price-only performance of large, actively traded shares on the Budapest Stock Exchange.

The Athens Stock Exchange General Index is a capitalization-weighted index of Greek stocks listed on the Athens Stock Exchange.

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