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Follow the Leaders: Learning from ETFs, BCA and the New PM

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

Yesterday I had the pleasure of attending an intensive daylong ETF conference in Austin, just up the road from our office in San Antonio. Hosted by Cantor Fitzgerald, the conference was designed for institutional investors.

Reggie Browne, the "Godfather of ETFs," gave the opening remarks at the ETF conference in Austin.

Welcoming the group was Reginald "Reggie" Browne, the "Godfather of ETFs," who now serves as the senior managing director at Cantor Fitzgerald. His celebrity and prominence are nearly as big as his six-foot-five frame—and with good reason. Reggie has been instrumental in building the ETF landscape over the last decade and convincing investors of the power of the exchange-traded fund.

One of the panels featured chief investment officers from the Texas Teacher Retirement System (TRS). Jase Auby, Lee Partridge and Tom Tull discussed potential shifts in asset allocation under a rising interest rate environment, among other topics.

The TRS, one of the largest pension funds in the U.S., makes significant use of gold in its investment strategy, holding the yellow metal in many forms over the years. The same is true for the $20 billion University of Texas endowment fund.

Bruce Zimmerman, chief investment officer for UTIMCO, told CNBC in 2011 that the $20 billion endowment holds gold as a diversifier and hedge against currencies. This is precisely what we tell investors, and it's validating to see such huge funds put it in practice.

During the ETF panel, I asked Jase, Lee, Tom and moderator Ronnie Jung about their thoughts on real interest rates and their relationship with gold. Everyone's speculating on when the Federal Reserve will hike interest rates, but *real* interest rates, as I shared with you this week, appear to have already risen. (As a reminder, real interest rates are what you get when you deduct the monthly rate of inflation from the 10-year Treasury yield.) A 10 percent upswing in the U.S. dollar is equivalent to the federal funds rate being hikes 100 basis points.

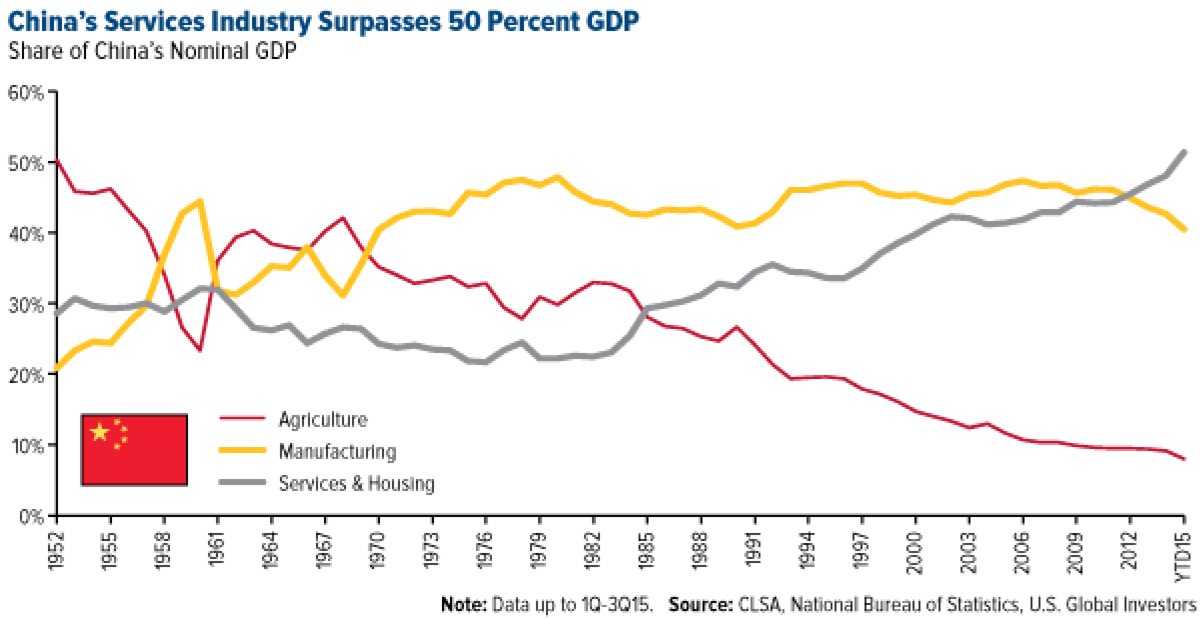
This has had a huge effect on the yellow metal. When real rates are negative, gold has tended to do well.

Conversely, when they're positive—and rising, as they are now—it's been a headwind for gold. This relationship was confirmed by the research of Barry Bannister, chief equity strategist for Stifel, who visited our office last week.

I also appreciated the TRS group's bullishness on China. Their position is that, because everyone is negative on China right now, all sorts of investment opportunities open up from a contrarian point of view.

The World's Second-Largest Economy in Flux

I've commented before that China has been moving away from a manufacturing-based economy and instead focusing more on services—financials, real estate, insurance, ecommerce and the like.



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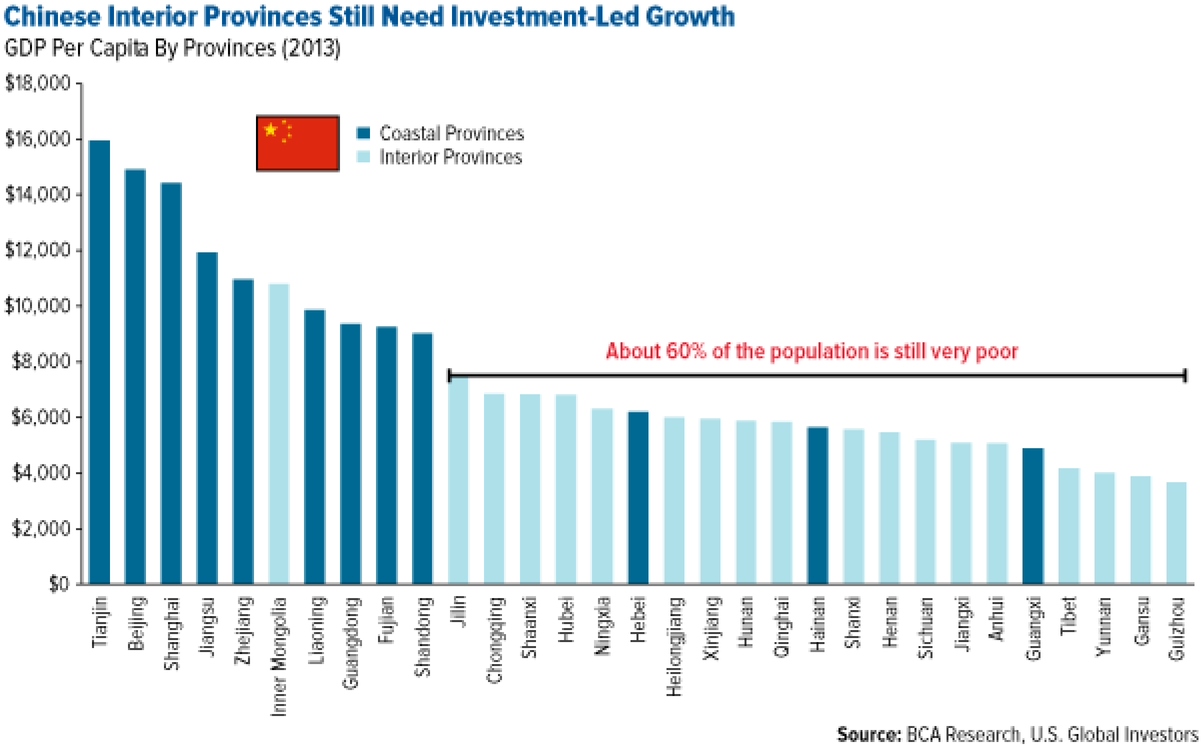
While the country's purchasing managers' index (PMI) reading has been in contraction mode since March of this year, these service industries are ever-expanding. The problem is that the transformation has not been fast enough to offset the massive size of the manufacturing sector.

But investment opportunities in this sector still exist. Anyone who's traveled more than 100 miles inland knows that China is under-urbanized. Ever since Deng Xiaoping created special tax-free zones along the eastern Chinese coastline in 1978, most of the country's growth has been concentrated in these few regions and municipalities. The interior provinces, on the other hand, have remained largely rural.

You can see this for yourself in the chart below, provided by Marko Papic, chief geopolitical strategist for BCA Research, who briefed our investments team this week. BCA is an influential, independent investment strategy firm with more than 65 years of experience conducting excellent macroeconomic research.



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We just learned that the People's Bank of China cut both lending and saving rates 0.25 percent, to 4.35 percent and 1.50 percent respectively. This will cause negative real rates in China to fall even lower, which is good for gold demand.

It will also likely add to the Fed's list of doubts about raising its own rates. In a world where every other major country is stimulating its economy by cutting rates and devaluing its currency, it makes less and less sense for the U.S. to hike rates.

BCA's Marko Papic stressed the need to see further stimulus in China. Without it, commodities and global growth in general are at risk. Some economists believe we might be headed for a global recession.

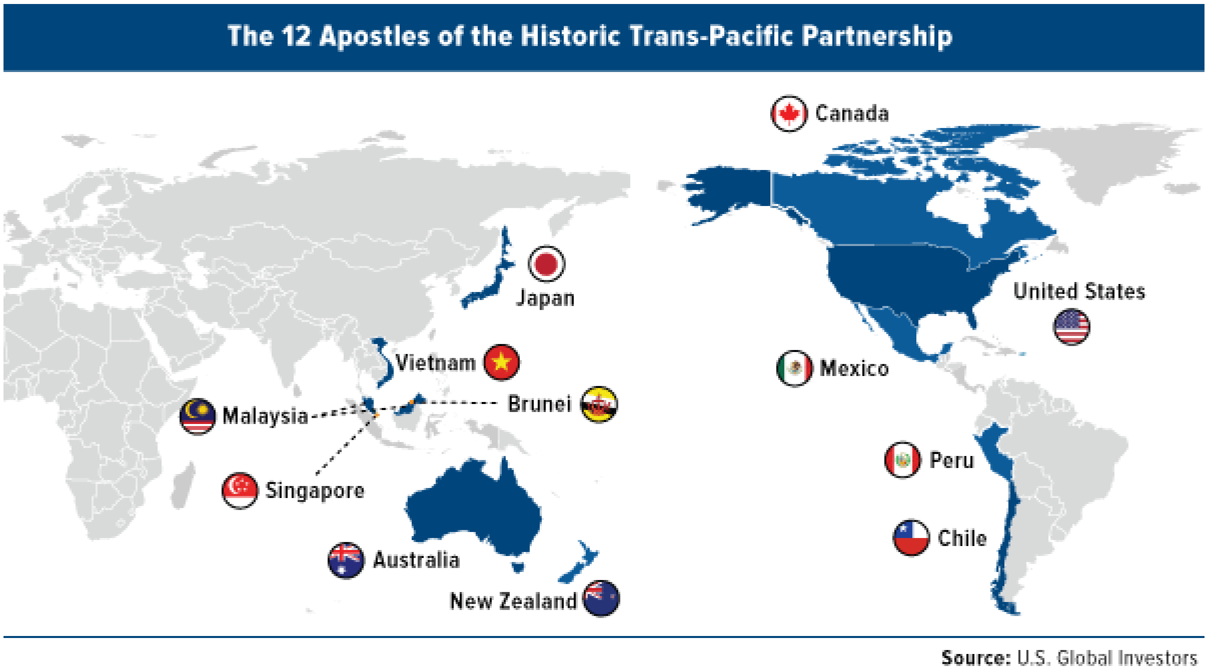
Difference of Opinion When It Comes to Defining Global Recession

Depending on who you ask, there are different ideas of what global recession looks like. The generally accepted one in the U.S. is two consecutive quarterly declines in real GDP. The International Monetary Fund (IMF), however, uses a different measure. Among other economic conditions, annual GDP must fall below 3 percent, a high benchmark and one that requires much stimulus.

Global growth for 2015 is at 3.3 percent, the IMF calculates, precariously close to the 3 percent threshold.

BCA Research: The Trans-Pacific Partnership Is Needed to Fast-Track Global Growth

This is where the Trans-Pacific Partnership (TPP) comes into play, which is the stance BCA also takes. The landmark trade agreement, involving 12 nations, was signed earlier this month. Although it still requires ratification, the TPP could boost the world economy by an incredible $223 billion by 2025, according to the Peterson Institute for International Economics.



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Like Father, Like Son: Canada Elects a New Leader

One of the TPP's biggest supporters was outgoing Canadian Prime Minister Stephen Harper. But the newly elected Justin Trudeau, member of the Liberal party, has also come out in support of free trade agreements. The hope is that he will continue to take this position where the TPP is concerned.

I feel blessed to have had the chance to meet Prime Minister Pierre Trudeau in 1978. I'm second from the right.

Although Trudeau earned his degree in education from the University of British Columbia and taught as a school teacher for many years, he is by no means a stranger to politics. He's served as a Member of Parliament since 2008, and his father, Pierre Trudeau, served as Canada's prime minister for 15 years.

Back in the 1970s, in fact, I campaigned for Pierre Trudeau alongside Dr. John Evans, a Rhodes Scholar. This was during Trudeau's first stint in office, before being voted out in 1979 and then returning to serve again in 1984.

His son, only 43, ran on a campaign of hope and change—sound familiar?—and promised that, if elected, he would help the economy by increasing infrastructure spending. Unlike some other world leaders, he wants to put people to work instead of establishing a welfare state. Trudeau plans to raise revenue by taxing recreational marijuana—if he succeeds at legalizing it, that is.

One of the main criticisms of Trudeau the Younger is that he's inexperienced politically. But here in the U.S., take a look at who's currently topping the polls in the Republican field: business magnate Donald Trump, neurosurgeon Dr. Ben Carson and former Hewlett-Packard CEO Carly Fiorina. Accomplished though they are, none of them has been elected to office. This goes to show that voters have grown fed up with career politicians who lack accountability.

Justin Trudeau (L) boxes his way to 24 Sussex Drive. Here he is before sparring Senator Patrick Brazeau for charity in 2012.
Source: Chris Wattie/Reuters

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Next stop, the Big Easy

Next week will kick off my short conference road trip, beginning with the 2015 New Orleans Investment Conference, happening October 28 – 31. For 41 years, this event has attracted some of the world's most distinguished speakers—from Margaret Thatcher to Steve Forbes to Norman Schwarzkopf—and this year's no exception. I look forward to speaking again this year alongside some of the brightest minds in the industry at what some call the "World's Greatest Investment Event."

Former Federal Reserve Chair Alan Greenspan was one of the many distinguished speakers at the New Orleans Investment Conference.

After that, I'll head to Peru for the Mining & Investment Latin America Summit, November 4 – 5, and wrap things up in Melbourne, Australia, at the International Mining and Resources Conference.

I look forward to sharing my insights gained from my travels and hope you'll join me in New Orleans!

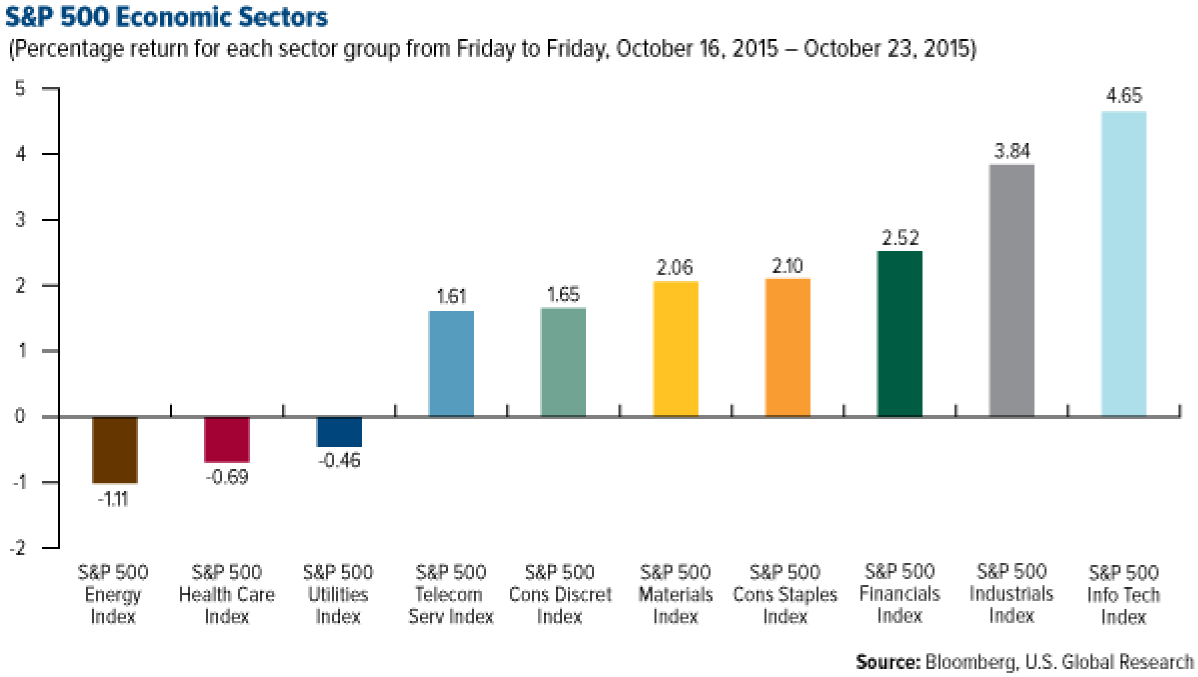
Index Summary

- The major market indices finished up this week. The Dow Jones Industrial Average gained 2.50 percent.

The S&P 500 Stock Index rose 2.07 percent, while the Nasdaq Composite climbed 2.97 percent. The Russell 2000 small capitalization index gained 0.32 percent this week.

- The Hang Seng Composite gained 0.31 percent this week; while Taiwan was up 0.80 percent and the KOSPI rose 0.50 percent.
- The 10-year Treasury bond yield rose 5 basis points to 2.09 percent.

Domestic Equity Market



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Strengths

- Information technology was the best performing sector this week, boosted by KLA-Tenor Corp after Lam Research agreed to buy the semiconductor manufacturing firm. The S&P 500 Information Technology Index rose 4.65 percent this week.
- Industrials was the second strongest sector in the S&P 500 this week, driven largely by the airline industry which continues to benefit from cheap fuel costs. The S&P 500 Industrials Index rose 3.84 percent this week.
- Existing home sales in the United States grew to 5.55 million in September from 5.31 million in August, surpassing analyst expectations. The housing market continues to show signs of strength.

Weaknesses

- Energy stocks lagged the broader market this week as WTI crude oil fell to $44.70 per barrel. The S&P 500 Energy Index fell 1.01 percent this week.
- The yield on the 10-year U.S. government note rose this week, putting pressure on other income plays. The 10-year yield is now roughly 2.085 percent.
- The U.S. dollar rallied back up to 97.15 this week, adding further pressure on commodities and other export driven markets.

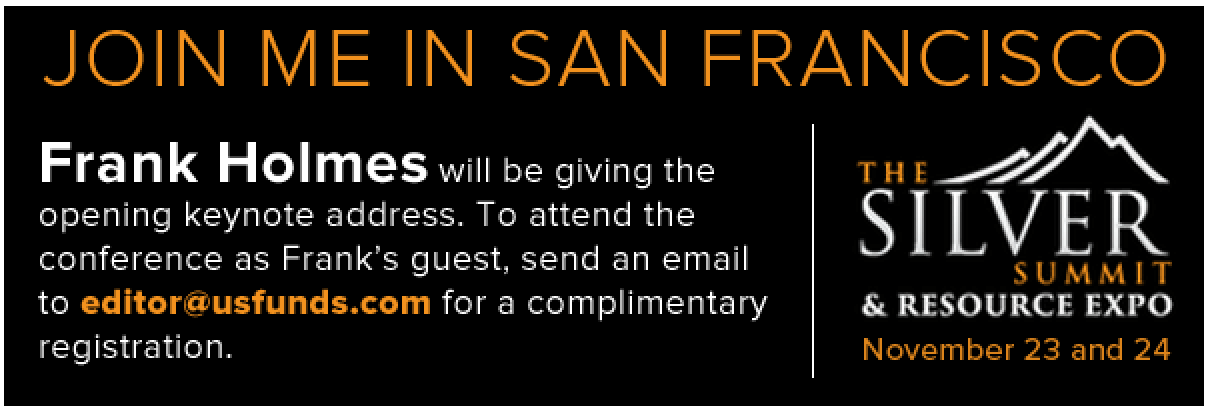
Opportunities

- U.S. Markit flash manufacturing purchasing managers' index (PMI) rose to 54.0, according to October's preliminary reading. A turnaround in the manufacturing PMIs, which have been trending downward, could benefit cyclical sectors.

- President of the European Central Bank (ECB) Mario Draghi further emphasized this week the bank's willingness to use any monetary tool at its disposal. The expectation of further stimulus has placed downward pressure on the dollar and should benefit more risk heavy areas of the market.
- China cut interest rates again this week, boosting market expectations that the economic juggernaut is not willing to allow growth to slow down too much further.

Threats

- The Conference Board's Leading Economic Index contracted by a larger amount that expected, according to official data released this week. The index fell 0.2 percent for the month of September, compared to a 0.1 percent expansion the prior month.
- The assault on the health care sector continues this week with Hillary Clinton emphasizing the need for tighter regulation of the industry.
- There is still a sharp divergence between market and economist expectations regarding when the Federal Reserve will raise the Fed Funds rate. If the majority of economists are correct and a hike occurs this year, the market could react negatively to the surprise.



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

The Economy and Bond Market

Strengths

- Yields on 10-year U.S. Treasury notes rose this week as investors reacted positively to China's interest rate cuts and the European Central Bank's (ECB's) pledge to do anything necessary to support the economy. Although poor for bonds, the rise in yields shows further confidence in the global economy.
- The Markit Eurozone Manufacturing PMI remained at 52.0 percent according to the preliminary October reading released this week. The street was expecting a further decline, making this a positive surprise.
- Eurozone's Markit services purchasing managers' index (PMI) showed significant signs of strength this week, as the preliminary October reading rose to 54.2. Given that services make up a large majority of economic activity in the eurozone, this is a welcomed surprise.

Weaknesses

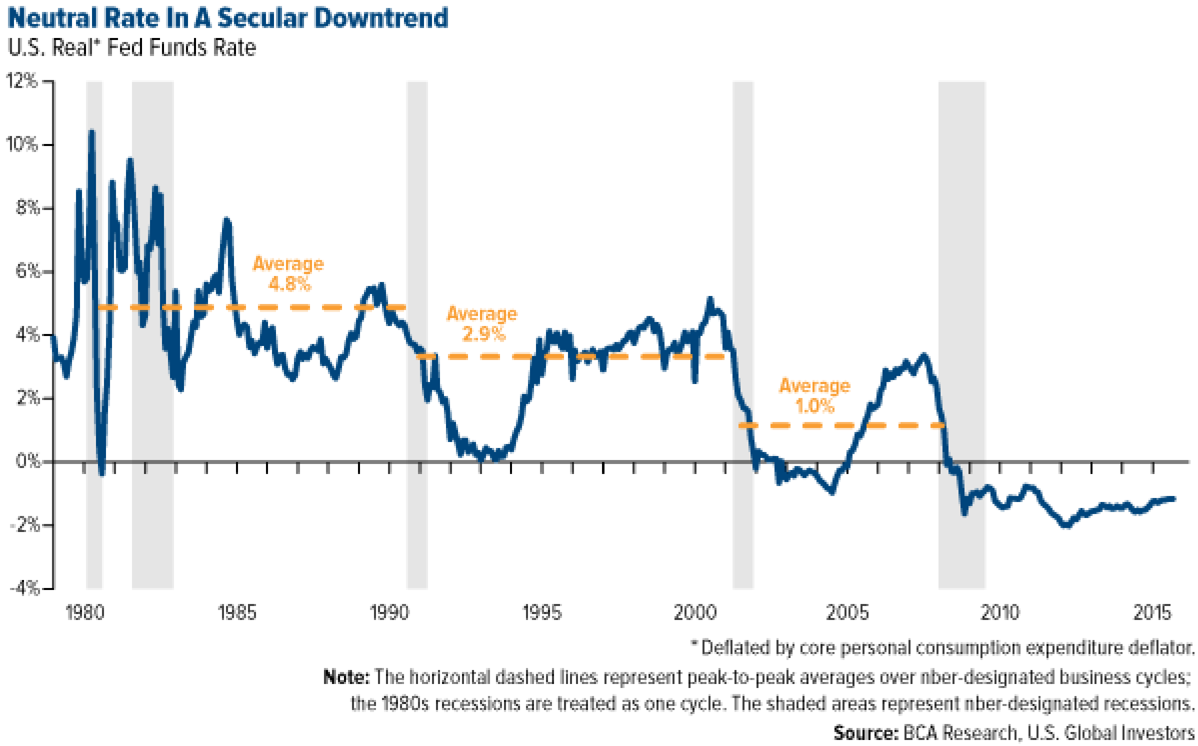
- Germany's manufacturing sector continues to forecast further weakness as the Markit/BME Germany manufacturing PMI fell to 51.6 in October from 52.3 the prior month.
- Although China's GDP growth for the third quarter beat analyst expectations, there is speculation that the service sector data may have been propped up. Regardless, manufacturing continues to be the main drag on Chinese growth.
- Another disappointing data point released this week was China's industrial production for the month of September, which rose by only 5.7 percent compared to an expected 6.0 percent.

Opportunities

- Mario Draghi, president of the ECB, further emphasized the bank's commitment to using any and all monetary tools at their disposal to stimulate growth. Further easing would push down yields in the eurozone which could drag down Treasury yields.
- China cut its interest rates once again this week, strengthening the view that the slowing economy will see the necessary government intervention.
- The University of Michigan's Consumer Sentiment Index is forecasted to rise to 92.5 for the month of October. Retail and other discretionary stocks could rally.

Threats

- Consumer confidence in the eurozone fell more than expected this week, according to the European Commission's Consumer Confidence Indicator. Retail and other discretionary stocks might be at risk.
- The Federal Reserve could decide to raise the Fed Funds rate next week, and with the market predicting lower rates for longer, the surprise could shock the market.



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- Economic activity is forecasted to have grown only 1.6 percent for the third quarter, according to Bloomberg surveys. This is a steep decline from the 3.9 percent expansion seen in the second quarter.

Gold Market

For the week, spot gold closed at $1,164.572 down $12.60 per ounce, or -1.07 percent. Gold stocks, as measured by the NYSE Arca Gold Miners Index, held in with a gain of 0.19 percent. Junior miners underperformed seniors for the week as the S&P/TSX Venture Index's loss of 0.91 percent. The U.S. Trade-Weighted Dollar Index surged 2.71 percent for the week.

Date	Event	Survey	Actual	Prior
Oct -18	CH Retail Sales YoY	10.80%	10.9%	10.80%
Oct -20	US Housing Starts	1142K	1206K	1126K
Oct -22	EC ECB Main Refinancing Rate	0.05%	0.05%	0.05%
Oct -22	US Initial Jobless Claims	265K	259K	255K
Oct -26	New Home Sales	550K	--	552K
Oct -27	Export YoY	-3.5%	--	-6.1%
Oct -27	Durable Goods Orders	-1.3%	--	-2.0%
Oct -27	Consumer Confidence Index	103.0	--	103.0
Oct -28	FOMC Rate Decision	0.25%	--	0.25%
Oct -29	US Initial Jobless Claims	263K	--	259K
Oct -29	GDP Annualized QoQ	1.6%	--	3.9%
Oct -29	CPI YoY	0.2%	--	0.0%
Oct -30	CPI Core YoY	0.9%	--	0.9%

Strengths

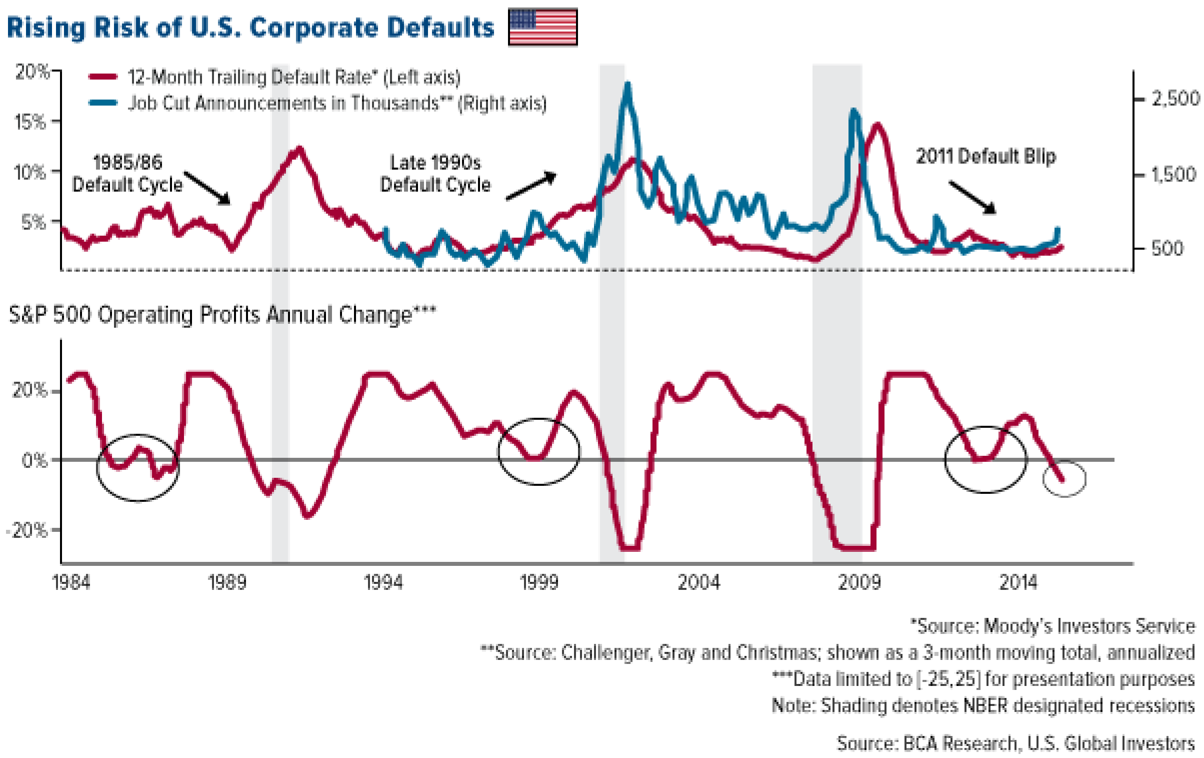
- Palladium was the best relative performing precious metal this week, recording a fall of just 0.27 percent. Palladium has been in a gentle decline post the Volkswagen story on emissions fixing, but rallied the last few days of this week.
- Gold traders are maintaining their bullish calls on the precious metal for the third week in a row. Of the 24 traders surveyed by Bloomberg, 13 hold a bullish outlook on gold.
- Gold got a boost this week as China announced further interest rate cuts and the ECB re-emphasized its pledge to use all the monetary tools at its disposal to support global growth. Furthermore, Russia boosted its gold purchases by the largest amount in a year throughout the month of September, adding 34 tonnes.

Weaknesses

- Silver was off 1.47 percent, making it the worst performing precious metal this week. Silver is normally more volatile than gold, so during a week that gold declines we should expect to see silver be pared back more so than gold.
- India has officially announced the implementation of its gold monetization scheme that is set to replace existing deposit structure. The plan seeks to reduce imports as banks will now be allowed to sell or lend gold to retailers, thus boosting supply if owners of the gold trust the system enough to lend their gold to the state.
- Argonaut Gold is facing some operation issues as an illegal blockade has formed at its El Castillo mine in Durango, Mexico.

Opportunities

- Investors are eyeing gold once again as $393 million flowed into U.S. precious metals-backed exchange traded funds this month, through October 20. After a multiyear downturn in the precious metal, more bulls are emerging. Retail investors have depleted coin dealer inventories of silver coins, Russia and China are buying gold, and even Paul Singer of Elliot Management said recently that investors should have up to 10 percent of their portfolio in gold and/or gold stocks.



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- The corporate sector could cause trouble for the U.S. economy as profits are contracting on a year-over-year basis. What's more, every contraction in profits since 1980 has coincided with a rise in the corporate default rate. The default rate also closely correlates with job cut announcements.

- Overall, credit conditions for U.S. companies are already deteriorating as the 10-month span through this year has seen more S&P downgrades than the prior two years combined. Even more concerning is that these downgrades are not solely limited to the energy space. Challenger Gray noted that they are seeing layoffs at major firms at a level they have not witnessed since 2009.

Threats

- The largest hurricane the world has ever recorded could cause trouble for certain Mexican mining operators proximal to the Western coast. The third-quarter rainy season just ended, normally playing havoc with heap leach operations. Companies such as Primero, Alamos and Argonaut could be affected; potentially even Goldcorp or Agnico-Eagle, should the rainfall be intense.

- Goldman Sachs is expecting the Federal Reserve to hike rates in December and sees gold suffering as a result. The bank sees gold falling to $1,000 over the next 12 months.

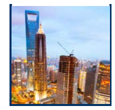
- Faced with significant debt repayments, the Venezuelan government may tap into its gold reserves to generate sufficient cash. Venezuela dumping its gold could put negative pressure on global prices. Venezuela also made the news when the country notified Guyana Goldfields that its mine, which is nearly finished with construction, is on land claimed to be owned by Venezuela and not Guyana.

Frank Talk Insight for Investors

October 22, 2015	October 19, 2015	October 15, 2015
The "Oprah Effect"	**Will Gold Finish 2015**	**China Then and Now, in**

 and Gold

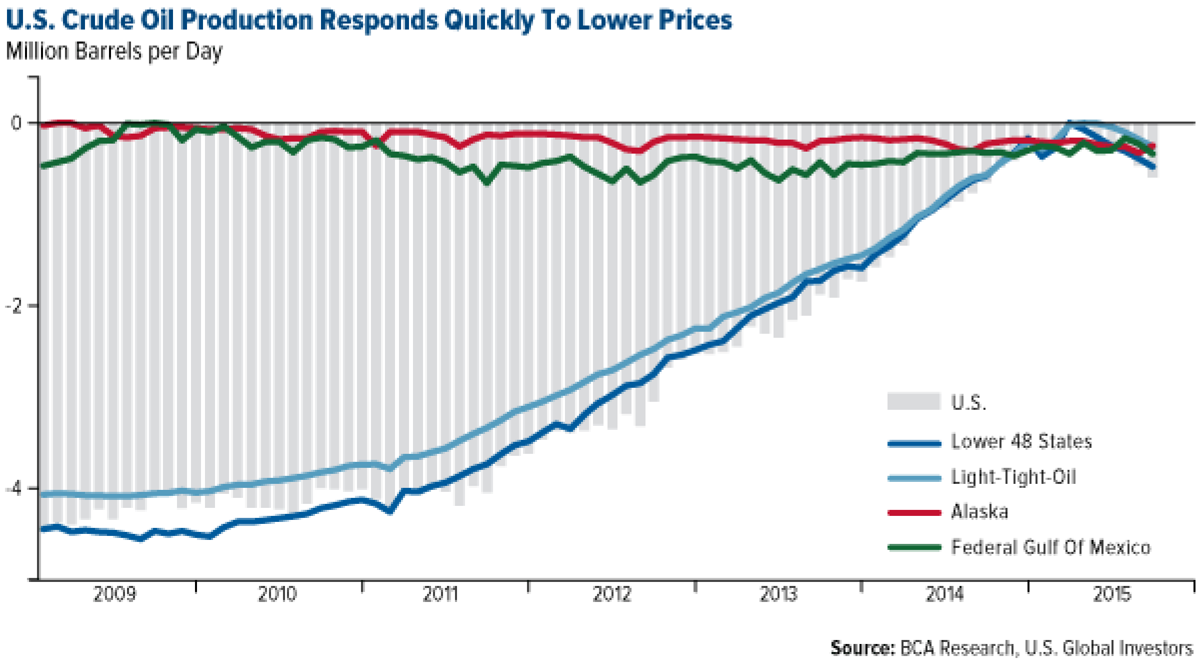
 with a Gain?

 Pictures

A blog by Frank Holmes, CEO and Chief Investment Officer

Global Resources Fund - PSPFX

Energy and Natural Resources Market



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Strengths

- Base metals stocks continue to lead all natural resources sub-sectors this week. News from China concerning interest rate cuts gave confidence to traders that the government is committed to providing stimulus to revive the economy. The S&P/TSX Metals & Mining Index gained 2.6 percent during the week.
- Paper and forest products stocks gained 4 percent on stable pricing and positive sentiment for continued growth in the housing market.
- Rail stocks were among the top three industries within the natural resources sector this week as constructive earnings releases within the group improved investor sentiment. The S&P 500 Rail Index gained 3.6 percent this week.

Weaknesses

- Oil and gas income stocks retreated from prior gains on a combination of profit taking and slightly disappointing earnings reports. The Yorkville Royalty Oil & Gas Index fell 1.7 percent and the Alerian MLP Infrastructure Index fell 6.3 percent.
- The Bloomberg Tanker Index declined 4.1 percent this week along with the price of crude oil, as concerns regarding overcapacity in the product market negatively impacted share prices.
- Crude oil and related equities fell late in the week by -5.5 percent and -5.2 percent, respectively. Inventory levels in the U.S. continue to swell and onshore product remains resilient, despite a historically low rig count.

Opportunities

- Plenty of economic releases are scheduled for next week that could move natural resources on better-than-expected news. New home sales, durable goods orders, the Richmond Federal Manufacturing Index and the FOMC rate decision could be meaningful for commodities next week.

- Deutsche Bank expects further U.S. rig count declines to eventually prove positive for the crude oil price outlook. The research team expects another 50 to 100 rigs could be removed from service next year for operators to be cash-flow neutral next year. Accordingly, the bank sees further downside to its expectation of a 650 kb/d decline in U.S. production in 2016.

- While it remains unclear who will win Sunday's presidential election in Argentina, one thing is already decided: farmers are poised to benefit as both leading candidates plan to eliminate wheat and corn export taxes and cut a soybean levy, according to Barclays.

Threats

- MDA Weather Services forecasts higher-than-usual temperatures to cover much of the U.S. through November 6, helping to push the price of natural gas to a three-year low as stockpiles build toward record levels.

- The strongest hurricane ever recorded in the Western Hemisphere is set to strike near Mexico's biggest port and vacation resort this weekend, threatening massive damage to property and lives of anyone in the area.

- Predictions for the third strongest El Nino season since 1950 appear to be gaining momentum. Pacific typhoons, droughts and floods throughout the world have already begun causing havoc in agriculture and infrastructure, according to Bloomberg.

China Region Fund - USCOX

China Region

Strengths

- Indonesia was the best performing market in the region this week, driven by the government's announcement to nullify double taxation on REITs and lower tax rates for asset revaluation. This came in a fifth round of policy measures aimed to facilitate investment. The Jakarta Composite Index was up 2.90 percent for the week.

- Health care was the best performing sector this week, a rebound from being a laggard the previous week. The MSCI Asia Pacific ex Japan Healthcare Index rose 0.35 percent for the week.

- The Chinese renminbi was the best performing currency this week, approximately flat versus the U.S. dollar, as the country's third-quarter GDP growth came out marginally better than expected at 6.9 percent. Additionally, expectations rose for the currency's inclusion in the IMF's currency basket this year.

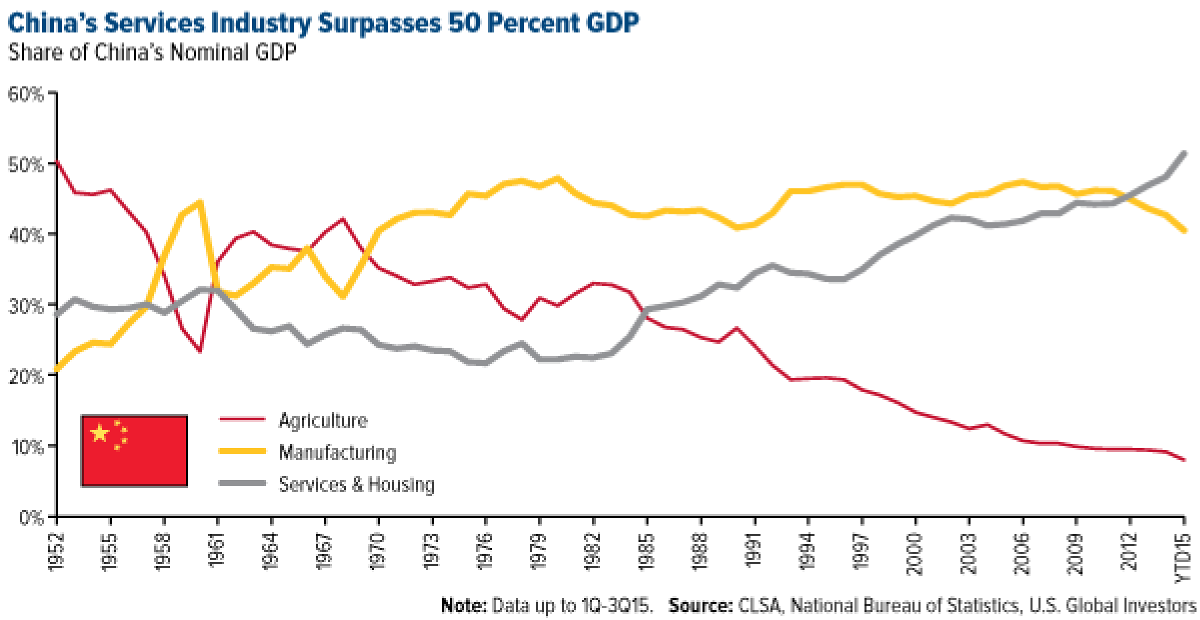
Weaknesses

- Malaysia was the worst performing market in the region this week, as both the Malaysian ringgit and crude oil pulled back for a second week from the recent surge. The FTSE Bursa Malaysia Index was down 0.34 percent for the week.

- Materials was the worst performing sector this week, as growth in China's industrial production and fixed asset investment in September disappointed investors. The MSCI Asia Pacific ex Japan Materials Index fell 2.32 percent for the week.
- The Malaysian ringgit was the worst performing currency in the region this week, losing 1.82 percent, due in part to political uncertainties and a renewed downward pressure on crude oil prices.

Opportunities

- While uncertainties remain whether China's economic growth is indeed stabilizing, it is irrefutable that the country's services industry has overtaken manufacturing in recent years and surpassed 50 percent of total GDP for the first time in history in the first nine months of 2015. Retail sales have been the most resilient among all macroeconomic indicators amid China's ongoing slowdown. Consumer-oriented goods and services sectors should present more sustainable opportunities for investors going forward.



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- China's central bank cut its benchmark interest rate by 25 basis points this week and announced its decision to cut the reserve requirement ratio (RRR) for banks by 50 basis points after the local market close on Friday. The interest rate cut represents the sixth reduction since November 2014 and drove the real deposit rate, or inflation-adjusted deposit rate, into negative territory again. Rate-sensitive sectors in China such as property and insurance should benefit most in the short term from monetary policy easing.
- South Korea's better-than-expected GDP growth at 2.6 percent in the third quarter, thanks to a strong rebound in private consumption and government spending, should reinforce investors' preference for Korean sectors geared toward domestic demand rather than global demand. Financials, consumer staples and pharmaceuticals could continue to outperform electronics and industrials exporters.

Threats

- Rising residential property supply in Hong Kong in the next few years comes at the same time that local housing demand has turned decidedly weaker, as reflected in both transaction volume and prices. Combined with an upcoming adverse interest rate cycle when the U.S. Federal Reserve embarks on monetary tightening, property developers in Hong Kong are set to face more headwinds than tailwinds.
- Mixed third-quarter earnings releases from Macau casinos do not assuage investor concerns over the secular appeal of the casino gaming industry, against no fundamental change in Chinese anticorruption policy direction and little proof of valuation distress. The bear market in Macau casino stocks has shown little signs of being over.

- Renewed weakness in crude oil prices and imminent November cuts in domestic natural gas prices in China do not bode well for its energy sector in general, and upstream natural gas producers in particular.

Emerging Europe Fund - EUROX

Emerging Europe

Strengths

- Greece was the best performing market this week as eurozone officials continue to highlight the progress of the negotiations. The next phase will be to tackle recapitalization of the banking system. The Athens Stock Exchange General Index closed up 3.87 percent.
- The Russian ruble was the worst performing currency this week as crude oil prices fail to make any constructive progress. The ruble fell 1.47 percent against the dollar.
- Health care was the best sector among eastern European markets this week as U.S. health care names face the threat of tighter regulation.

Weaknesses

- The Czech Republic was the worst relative performing market this week, although the PX Index closed up 1.61 percent, getting a rally along with the rest of the region.
- The Polish zloty was the worst performing currency in the region this week as concerns increase leading up to the parliamentary elections. The zloty fell 3.54 percent against the dollar.
- Energy was the worst performing sector in the region this week as crude oil prices dipped further.

Opportunities

- Activity in the eurozone's private sector picked up in October. Markit's composite purchasing managers' index (PMI), a measure of activity in the manufacturing and service sectors, rose to 54.0 in October from a prior reading of 53.6. A reading below 50 indicates activity is slowing down, while a reading above that level indicates it is increasing.
- Emerging market share price could advance further as equites may be testing a resistance level that acted as a support for several years. If equites break though the resistance level more upside is coming.

click to enlarge

- ECB President Mario Draghi sent a strong signal Thursday that the bank is prepared to increase its bond-buying program. The main interest rate, the rate that is charged on regular loans to banks, was left unchanged at .05 basis points. The rate on overnight deposits also remained at -.2 percent, meaning banks continue to pay to park excess deposits at the central bank.

Threats

- The Polish zloty may weaken if the Law & Justice party wins majority seats in Sunday's general election. The party seeks to boost spending on family benefits, cut the retirement age and reduce taxes for smaller companies. The current Prime Minister, Ewa Kopacz, whose Civic Platform is trailing in opinion polls, has warned that the spending promises could destabilize public finances and increase a budget gap. Civic Platform reduced the budget gap to below 3 percent of economic output from 7.8 percent five years ago.

- Foreign airlines continue to cancel flight to Moscow. In January, EasyJet scaled back its London-Moscow service from two daily flights to only one. Then Delta, a U.S. airliner, announced that it will not fly to Moscow in the winter. Additionally, Lufthansa scaled back its number of flights to 63 to Moscow and St. Petersburg, down from 153 to nine Russian destinations four years ago. The poor economy has forced Russians to cancel vacations and the sanctions from Russia's war in Eastern Ukraine have kept business people away from the country.

- According to Citigroup, economic expansion in most emerging markets lagged behind developed markets for the first time in 14 years in the second quarter of this year. Developing economies, excluding China, expanded 1.8 percent in the three months ended June, compared to 2 percent in advanced nations. Citigroup lowered its forecast for global growth in 2016 to 2.8 percent from 2.9 percent, making this the fifth-consecutive reduction this year.

Leaders and Laggards

Weekly Performance

Index	Close	Weekly Change($)	Weekly Change(%)
S&P/TSX Canadian Gold Index	146.99	+4.73	+3.32%
Nasdaq	5,031.86	+145.18	+2.97%
10-Yr Treasury Bond	2.09	+0.05	+2.56%
DJIA	17,646.70	+430.73	+2.50%
S&P 500	2,075.15	+42.04	+2.07%
S&P Basic Materials	282.59	+5.68	+2.05%
Korean KOSPI Index	2,040.40	+10.14	+0.50%
XAU	56.30	+0.27	+0.48%
Russell 2000	1,166.06	+3.75	+0.32%
Hang Seng Composite Index	3,180.55	+9.77	+0.31%
S&P Energy	504.85	-5.10	-1.00%
Gold Futures	1,164.50	-18.60	-1.57%
Oil Futures	44.61	-2.65	-5.61%
Natural Gas Futures	2.29	-0.14	-5.84%

Monthly Performance

Index	Close	Monthly Change($)	Monthly Change(%)
XAU	56.30	+11.69	+26.20%
S&P/TSX Canadian Gold Index	146.99	+27.16	+22.67%
S&P Basic Materials	282.59	+28.73	+11.32%
S&P Energy	504.85	+51.14	+11.27%
Hang Seng Composite Index	3,180.55	+254.03	+8.68%
DJIA	17,646.70	+1,366.81	+8.40%
S&P 500	2,075.15	+136.39	+7.03%
Nasdaq	5,031.86	+279.12	+5.87%
Korean KOSPI Index	2,040.40	+95.76	+4.92%
Gold Futures	1,164.50	+33.00	+2.92%
Russell 2000	1,166.06	+26.01	+2.28%
Oil Futures	44.61	+0.13	+0.29%
10-Yr Treasury Bond	2.09	-0.06	-3.02%
Natural Gas Futures	2.29	-0.28	-10.94%

Quarterly Performance

Index	Close	Quarterly Change($)	Quarterly Change(%)
S&P/TSX Canadian Gold Index	146.99	+22.36	+17.94%
XAU	56.30	+7.78	+16.03%
Gold Futures	1,164.50	+78.50	+7.23%
DJIA	17,646.70	+78.17	+0.44%
S&P Basic Materials	282.59	-0.07	-0.02%
S&P 500	2,075.15	-4.50	-0.22%
Korean KOSPI Index	2,040.40	-5.56	-0.27%
S&P Energy	504.85	-5.39	-1.06%
Nasdaq	5,031.86	-56.77	-1.12%
Russell 2000	1,166.06	-59.93	-4.89%
Oil Futures	44.61	-3.53	-7.33%
Hang Seng Composite Index	3,180.55	-260.92	-7.58%
10-Yr Treasury Bond	2.09	-0.18	-7.82%
Natural Gas Futures	2.29	-0.49	-17.58%

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.

Stock markets can be volatile and share prices can fluctuate in response to sector-related and other risks as described in the fund prospectus.

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. Though the Near-Term Tax Free Fund seeks minimal fluctuations in share price, it is subject to the risk that the credit quality of a portfolio holding could decline, as well as risk related to changes in the economic conditions of a state, region or issuer. These risks could cause the fund's share price to decline. Tax-exempt income is federal income tax free. A portion of this income may be subject to state and local taxes and at times the alternative minimum tax. 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.

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 9/30/15:
KLA-Tenor Corp: 0.00%
LAM Research: 0.00%
Volkswagen: 0.00%
Argonaut Gold Inc.: Gold and Precious Metals Fund, 0.58%, World Precious Minerals Fund, 0.61%
Primero: 0.00%
Alamos Gold Inc.: World Precious Minerals Fund, 0.01%
Argonaut Gold Inc.: Gold and Precious Metals Fund, 0.58%, World Precious Minerals Fund, 0.61%
Goldcorp: 0.00%
Agnico-Eagle Mines Ltd.: Gold and Precious Metals Fund, 4.45%, World Precious Minerals Fund, 0.95%
Guyana Goldfields Inc.: Gold and Precious Metals Fund, 0.47%, World Precious Minerals Fund, 0.46%
EasyJet: 0.00%
Delta Air Lines: All American Equity Fund, 1.05%, Holmes Macro Trends Fund, 1.09%
Lufthansa: 0.00%
Hewlett Packard: 0.00%

*The above-mentioned indices are not total returns. These returns reflect simple appreciation only and do not reflect dividend reinvestment.
The Dow Jones Industrial Average is a price-weighted average of 30 blue chip stocks that are generally leaders in their industry.
The S&P 500 Stock Index is a widely recognized capitalization-weighted index of 500 common stock prices in U.S. companies.
The Nasdaq Composite Index is a capitalization-weighted index of all Nasdaq National Market and SmallCap stocks.
The 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 Purchasing Manager’s Index is an indicator of the economic health of the manufacturing sector. The PMI index is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment. The Conference Board index of leading economic indicators is an index published monthly by the Conference Board used to predict the direction of the economy's movements in the months to come. The index is made up of 10 economic components, whose changes tend to precede changes in the overall economy.
Jakarta Composite Index is an index of all stocks that are traded on the Indonesia Stock Exchange.
MSCI Asia Pacific ex Japan Healthcare index is an index of health care stocks in Asia (excluding Japan.)
FTSE Bursa Malaysia Index is an index of stocks traded on the Malaysian Stock Exchange.
MSCI Asia Pacific ex Japan Materials is an index of materials stocks in Asia (excluding Japan.)
The University of Michigan Confidence Index is a survey of consumer confidence conducted by the University of Michigan. The report, released on the tenth of each month, gives a snapshot of whether or not consumers are willing to spend money.
The European Commission Economic SentiMent Indicator Eurozone is a monthly indicator that reflects general economic activity of the EU. The indicator combines assessments and expectations stemming from business and consumer surveys. Such surveys include different components of the economy: industry, consumers, constructions and retail trade.
The S&P/TSX Capped Metals and Mining Index is a capitalization-weighted index.
S&P 500 Railroad Index is made up of the shares of the top four U.S. rail carriers.
Yorkville Royalty Turst Oil & Gas Index is a market capitalization weighted index, consisting of the entire universe of royalty trusts involved in a balance of oil and natural gas production.
Alerian MLP Infrastructure Index is a composite of energy infrastructure Master Limited Partnerships (MLPs).
Bloomberg Tanker Index is a capitalization weighted index of the leading oil tanker companies traded on the New York Stock Exchange. The index was develop with a base value of 100 as of December 31, 1998.
The Richmond Fed Manufacturing Index is based upon mail-in surveys from a representative sample of manufacturing plants and seeks to track industrial performance.
The Athens Stock Exchange General Index is a capitalization-weighted index of Greek stocks listed on the Athens Stock Exchange.
The PX-50 Index is a capitalization-weighted index comprising 50 companies listed on the Prague Stock Exchange, into which only issues from the main and secondary market can be incorporated.
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.