



U.S. Global Investors

Searching for Opportunities, Managing Risk

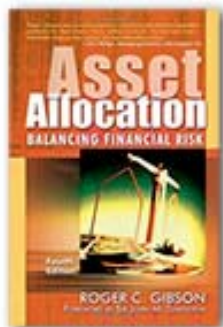
Asset Allocation in The Current Market Environment

Roger Gibson, CFA, CFP®
Chief Investment Officer
Gibson Capital, LLC

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



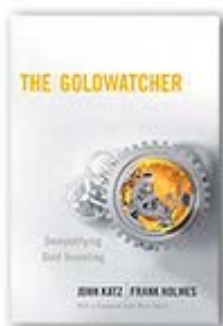
About the speakers



Roger Gibson, CFA, CFP®

Chief Investment Officer
Gibson Capital, LLC

Roger C. Gibson, CFA, CFP® is best known as the author of the investment classic, *Asset Allocation: Balancing Financial Risk*. First published in 1989 and released in its fourth edition in 2008, it remains a best-selling book on asset allocation. Investment Advisor magazine awarded Gibson the Dow Jones Portfolio Management Award in the category of book publication for this work. The award is given to individuals who have “contributed significantly to the art and science of portfolio management.” Gibson is internationally recognized as an expert and has spoken to investment professionals at national educational conferences for 25 years. Gibson is a recipient of the “Financial Writer’s Award” from Financial Planning magazine, which also recognized him in 2003 as one of the “movers and shakers” of the financial services industry.



Frank Holmes

CEO and Chief Investment Officer
U.S. Global Investors

Frank Holmes is the CEO and chief investment officer for U.S. Global Investors, a San Antonio-based investment advisor with approximately \$2.5 billion in assets under management. The company’s funds have earned more than two dozen Lipper Fund Awards and certificates since 2000. In 2006, Mr. Holmes was selected the mining fund manager of the year by the Mining Journal, a leading publication for the global resources industry, and he is co-author of *The Goldwatcher: Demystifying Gold Investing*. He is also an advisor to the International Crisis Group, which works to resolve global conflict, and the William J. Clinton Foundation on sustainable development in nations with resource-based economies.



Fund Recognition

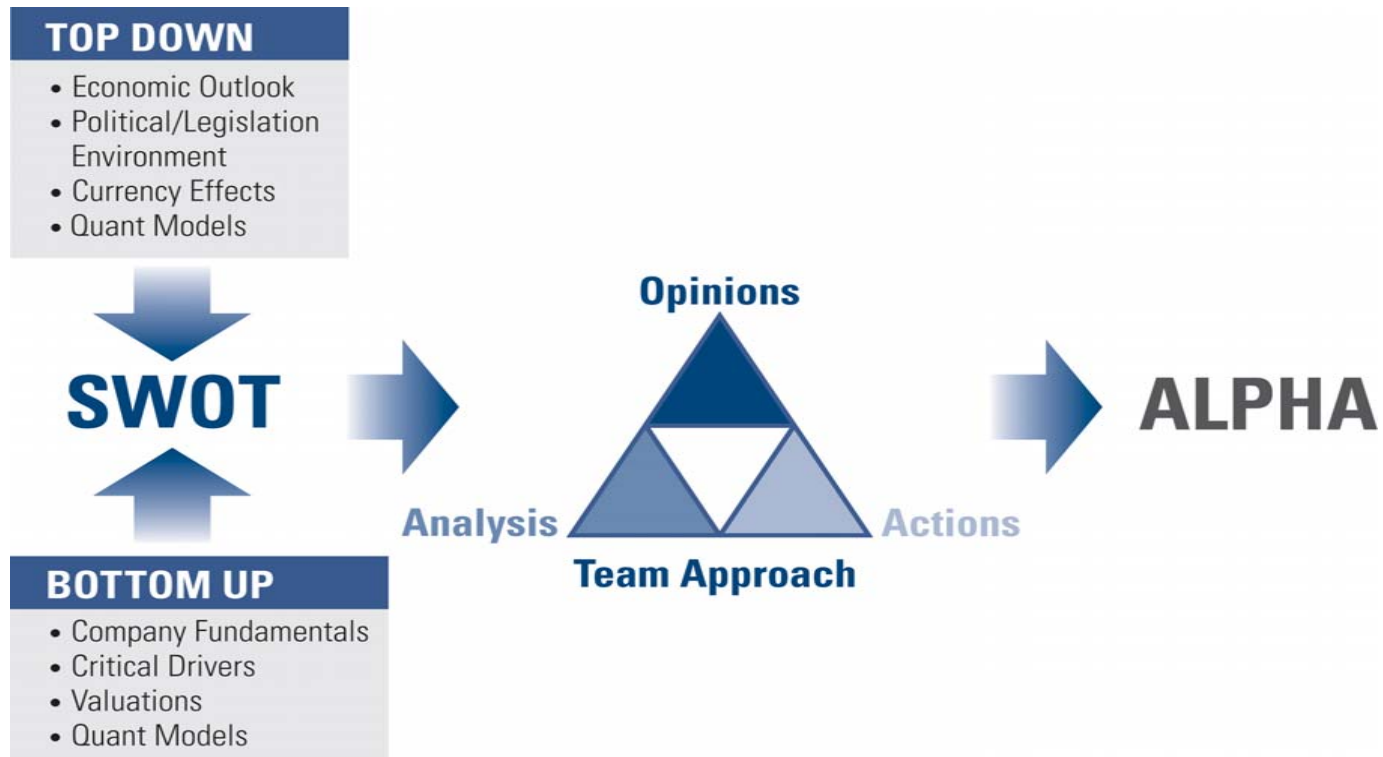
Investment
leadership results
in performance



Winner of 26 Lipper Fund Awards and certificates since 2000



Multidisciplinary Focus



*SWOT analysis (Strength, Weakness, Opportunity, Threat). Alpha is a measure of the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta.



Cycles – Principles of Continuous Revolution



- Every cycle – irrespective of degree or significance – contains its own unique rhythm
- From daily tides to the solar system, life is governed by the cyclical principle



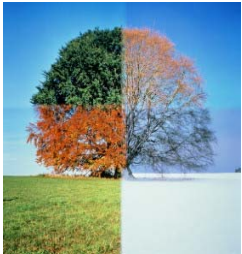
Cycles – Where Are We on the...



- **Kuznets Cycle** – 20-year Emerging Market Cycle That Drives Commodity Demand



- **Presidential Election Cycle** – 4-Year Cycle



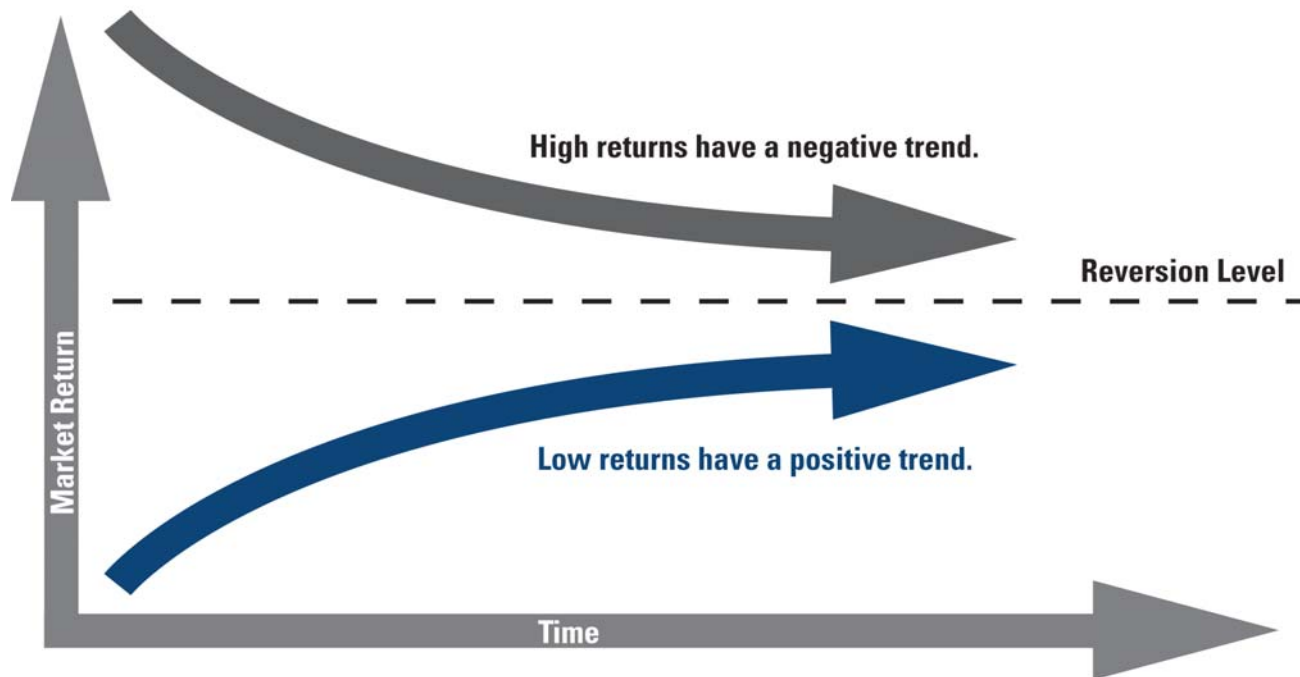
- **Seasonal Cycle** – Commodity and Stock Market Patterns



Mean Reversion

Investments can have wide price swings during any given year. But, over time, they usually revert to their long-term averages. This principle is called “mean reversion.”

The Concept of Mean Reversion



The Periodic Table of Asset Classes

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Best	Natural Resources 29.98%	Precious Metals 18.74%	Precious Metals 62.72%	Precious Metals 57.92%	Natural Resources 28.02%	Natural Resources 40.16%	Pacific/Asia ex-Japan 46.05%	Pacific/Asia ex-Japan 46.37%	Money Market Government 1.90%	Diversified Emerging Markets 73.46%
	Muni Intern 9.56%	Muni Short Term 4.80%	Muni Intern 8.50%	Diversified Emerging Markets 55.57%	Diversified Emerging Markets 23.37%	Diversified Emerging Markets 31.46%	Diversified Emerging Markets 32.00%	Natural Resources 34.98%	Muni Short Term 0.81%	Pacific/Asia ex-Japan 70.83%
	Muni Short Term 5.78%	Muni Intern 4.36%	Muni Short Term 5.02%	Pacific/Asia ex-Japan 54.13%	Foreign Stock 19.62%	Precious Metals 30.61%	Precious Metals 31.51%	Diversified Emerging Markets 34.17%	Muni Intern -2.66%	Precious Metals 52.34%
	Money Market Government 5.76%	Money Market Government 3.63%	Money Market Government 1.27%	Small Growth 46.52%	Mid-Cap Growth 13.96%	Pacific/Asia ex-Japan 17.19%	Foreign Stock 26.01%	Precious Metals 23.22%	Precious Metals -28.14%	Natural Resources 50.64%
	Mid-Cap Growth -2.67%	Diversified Emerging Markets -2.19%	Natural Resources -2.48%	Foreign Stock 38.88%	Pacific/Asia ex-Japan 13.56%	Foreign Stock 16.59%	Natural Resources 12.72%	Mid-Cap Growth 15.04%	Large Growth -40.68%	Mid-Cap Growth 39.06%
	Small Growth -4.10%	Pacific/Asia ex-Japan -3.32%	Diversified Emerging Markets -5.16%	Mid-Cap Growth 36.12%	Small Growth 12.40%	Mid-Cap Growth 10.01%	Small Growth 10.66%	Large Growth 13.31%	Small Growth -41.62%	Foreign Stock 37.17%
	Large Growth -10.56%	Small Growth -8.11%	Pacific/Asia ex-Japan -9.91%	Natural Resources 30.53%	Large Growth 8.51%	Large Growth 7.09%	Mid-Cap Growth 9.21%	Foreign Stock 12.97%	Mid-Cap Growth -43.81%	Large Growth 35.78%
	Foreign Stock -14.15%	Natural Resources -12.67%	Foreign Stock -14.83%	Large Growth 29.45%	Muni Intern 2.92%	Small Growth 6.19%	Large Growth 7.36%	Small Growth 7.59%	Foreign Stock -46.53%	Small Growth 35.67%
	Precious Metals -16.53%	Mid-Cap Growth -16.74%	Mid-Cap Growth -25.45%	Muni Intern 4.17%	Muni Short Term 1.17%	Money Market Government 2.65%	Money Market Government 4.46%	Money Market Government 4.64%	Natural Resources -48.22%	Muni Intern 11.34%
	Pacific/Asia ex-Japan -22.88%	Foreign Stock -19.51%	Large Growth -26.57%	Muni Short Term 2.38%	Money Market Government 0.81%	Muni Intern 1.93%	Muni Intern 3.66%	Muni Short Term 3.32%	Pacific/Asia ex-Japan -53.02%	Muni Short Term 5.87%
Worst	Diversified Emerging Markets -28.95%	Large Growth -19.79%	Small Growth -28.05%	Money Market Government 0.63%	Precious Metals -8.25%	Muni Short Term 1.20%	Muni Short Term 2.96%	Muni Intern 2.71%	Diversified Emerging Markets -54.18%	Money Market Government 0.18%

Source: Steele & U.S. Global Investors Research



Periodic Table of Commodity Returns

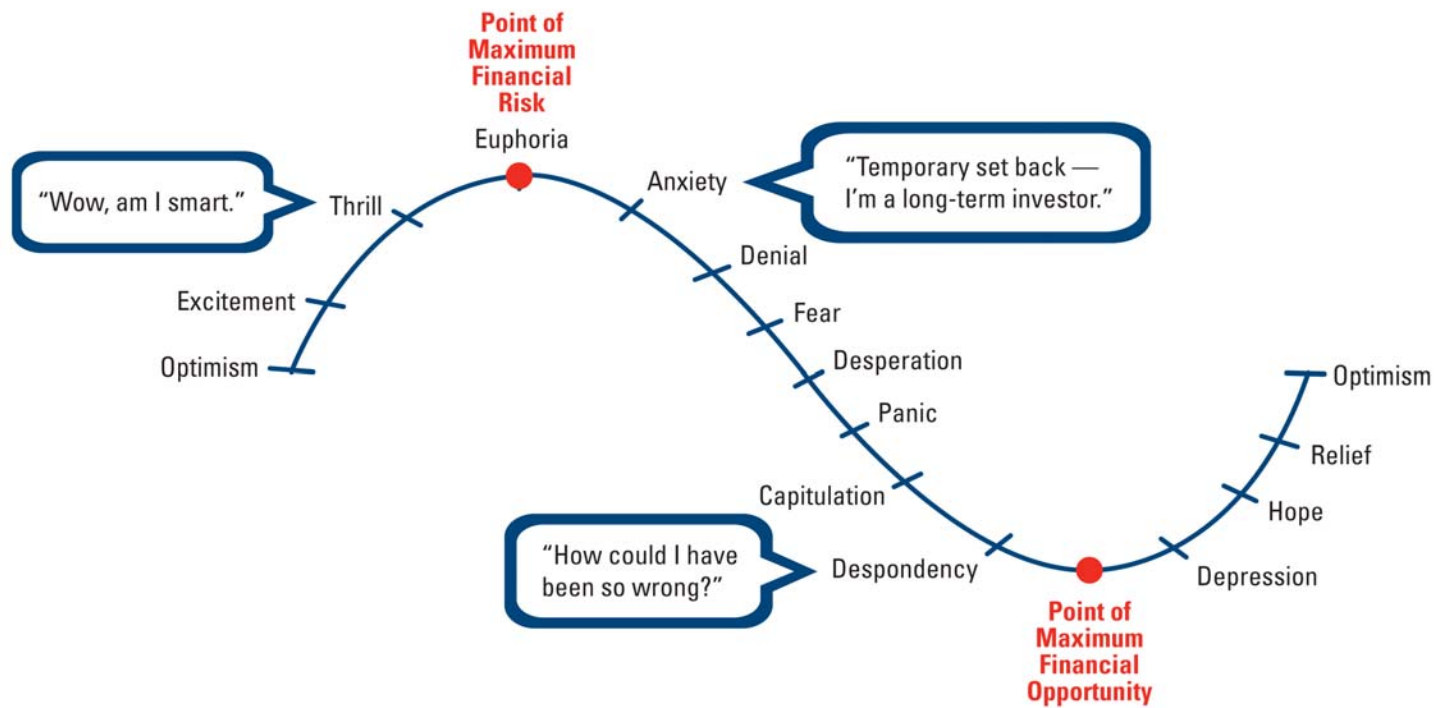
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	
Natural Gas	319.71%	7.01%	86.34%	133.07%	67.57%	82.55%	154.45%	93.02%	5.77%	153.14%	Copper
Palladium	113.45%	3.40%	57.26%	75.44%	42.80%	50.79%	126.16%	76.65%	-10.65%	152.37%	Lead
Coal	41.38%	2.46%	25.63%	51.11%	41.30%	40.48%	80.88%	57.22%	-23.01%	129.36%	Zinc
Platinum	38.42%	2.44%	24.77%	35.61%	33.61%	39.79%	61.36%	42.65%	-24.70%	118.07%	Palladium
Corn	13.33%	0.43%	21.46%	34.55%	25.99%	36.46%	47.68%	34.33%	-24.87%	77.94%	Crude Oil
Wheat	12.47%	-9.82%	12.80%	34.49%	23.52%	29.20%	46.40%	30.98%	-30.99%	58.95%	Nickel
Crude Oil	4.69%	-14.61%	12.46%	29.23%	14.86%	17.92%	37.20%	18.80%	-36.06%	56.82%	Platinum
Lead	-1.46%	-17.61%	5.06%	24.27%	5.90%	16.19%	31.24%	16.72%	-38.76%	48.16%	Silver
Copper	-2.03%	-19.16%	3.46%	19.37%	5.54%	12.65%	24.15%	14.65%	-49.29%	45.71%	Aluminum
Aluminum	-3.76%	-22.04%	0.53%	17.98%	-0.65%	10.33%	23.15%	10.40%	-51.07%	24.36%	Gold
Gold	-5.47%	-24.83%	-2.35%	16.00%	-3.62%	5.37%	17.05%	6.14%	-53.53%	1.84%	Corn
Silver	-14.50%	-25.97%	-12.70%	4.35%	-10.29%	4.17%	0.02%	-16.70%	-55.37%	-0.89%	Natural Gas
Nickel	-15.96%	-54.14%	-16.37%	4.23%	-16.77%	-7.26%	-25.22%	-23.56%	-56.53%	-11.34%	Wheat
Zinc	-17.59%	-73.71%	-45.91%	-18.70%	-18.44%	-10.12%	-43.88%	-47.13%	-62.52%	-13.36%	Coal

Source: U.S. Global Research



Volatility

The Cycle of Market Emotions



Source: FIM Group



U.S. Global Investors Webcast

September 9, 2010

Asset Allocation in the Current Economic Environment

presented by

Roger C. Gibson, CFA, CFP

This is an educational presentation. This presentation does not constitute an offer or solicitation of any security or product and does not constitute a recommendation of the suitability of any investment strategy for a particular investor.

Past performance is not indicative of future results.

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Financial Crisis of 2008—2009

A Perfect Storm:

- Securitization
- Financial engineering
- Excessive leverage
- Misalignment of interests
- Greed

The Carnage and the Recovery

	Total Returns in Percent	
	2008	2009
Treasury Bills	1.8	0.2
Long-Term Government Bonds	22.7	-12.2
Long-Term Corporate Bonds	-3.9	16.8
U.S. Stocks	-37.0	26.5
Non-U.S. Stocks	-43.4	32.5
Real Estate Securities	-37.7	28.0
Commodity-Linked Securities	-46.5	13.5

The Best Strategy for You

- Goal: an individually-tailored, all-weather investment strategy
- The strategy should satisfy two important considerations:
 - Behavioral Issues—The strategy's pattern of returns will not cause you to abandon the strategy during the widely varying market environments that you will experience during your investment time horizon.
 - Investment Issues—The strategy should make good investment sense given your:
 - Assets
 - Cash Flows
 - Investment Time Horizon
 - Financial Goals

The Many Faces of Risk

- Volatility of returns
- Inflation / purchasing power risk
- Inability to meet future cash flow needs / outliving one's resources
 - Longevity risk
 - Unsustainable portfolio withdrawals
 - Taking too much risk
 - Taking too little risk

Reasons to Re-evaluate Your Risk Tolerance

- Risk looking back is different from risk looking ahead
 - Looking back, every past bear market was followed by a recovery and subsequent bull market. In the past, things always eventually worked out.
 - Looking ahead, will things work out this time?
- The magnitude of recent losses influences one's willingness to sustain further losses.
- One's risk tolerance may be different during the portfolio accumulation phase than during the withdrawal phase.
- Over the past year, market volatility at times reached levels not seen since the Great Depression.

Capital Losses

- Permanent capital losses:
 - Any particular company may get into economic difficulties.
 - In the worst case, a company's stocks and/or bonds may become worthless, resulting in a permanent loss of capital.
 - Fraudulent activity, such as Bernie Madoff's Ponzi scheme, can also result in a permanent loss of capital.
- Temporary set-backs:
 - An investment in a broadly diversified portfolio of stocks, e.g. an S&P 500 index fund, may lose significant value during bad market environments.
 - Barring total global economic collapse, not all the companies in a broadly diversified portfolio, like an S&P 500 index fund, will become worthless.
 - Historically, the broad stock market recovers losses during subsequent market advances.

The Efficient Market Hypothesis (EMH)

In finance, the EMH asserts that prices of publicly-traded assets, such as stocks and bonds, already reflect all known information and that it is impossible to consistently outperform the market by using information that the market already knows, except through luck. Prices change in response to new information, unknowable in the present, which appears randomly in the future.

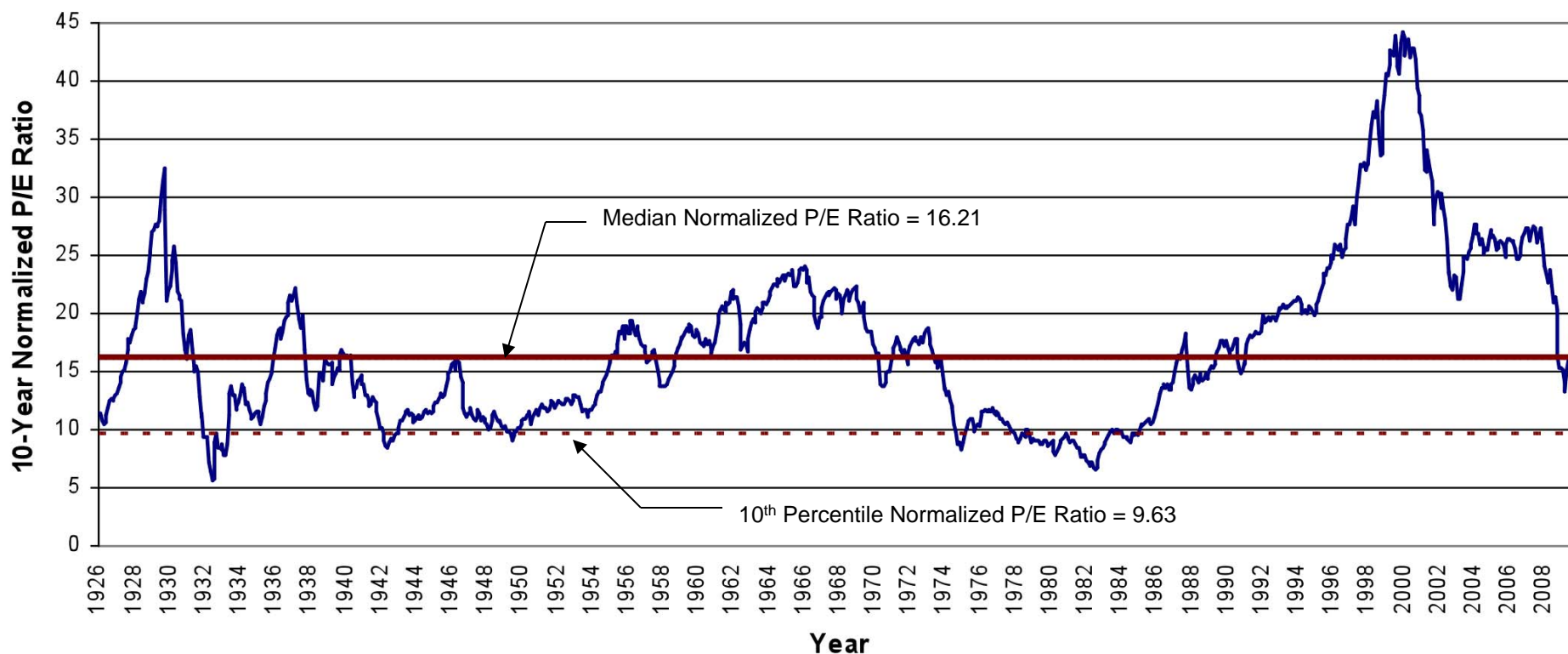
What's Wrong with the EMH?

- EMH assumes that investors have rational expectations and that, with new information, they update their expectations appropriately. That is, investors use their minds, not their emotions, to make investment decisions. Individual investors may be wrong about the market, but the market as a whole is right. Market prices give the best estimate of “true values”.
- The field of behavioral finance evolved and gained prominence during the 1990s with the recognition that investors are not completely rational in their decision-making, thus challenging a crucial underpinning of the EMH. If the EMH is not correct, market prices may not give the best estimate of “true values”.

How Do Markets Work If Investors Use Both Their Minds And Their Emotions To Make Decisions?

- Market prices vary more than “true values”.
- When greed prevails, markets overshoot true value on the high side and set the stage for subsequent below-average returns. Example: the stock market’s irrational exuberance toward the end of the 1990s.
- When fear and panic rule, markets overshoot true value on the down side and set the stage for subsequent above-average returns.

S&P 500* 10-Year Normalized Price-to-Earnings (P/E) Ratio** 1926 -- 2009



*Includes predecessor indices.

**The normalized P/E ratio is computed by dividing the S&P 500 price level by the S&P 500 earnings normalized over the preceding 10 years.

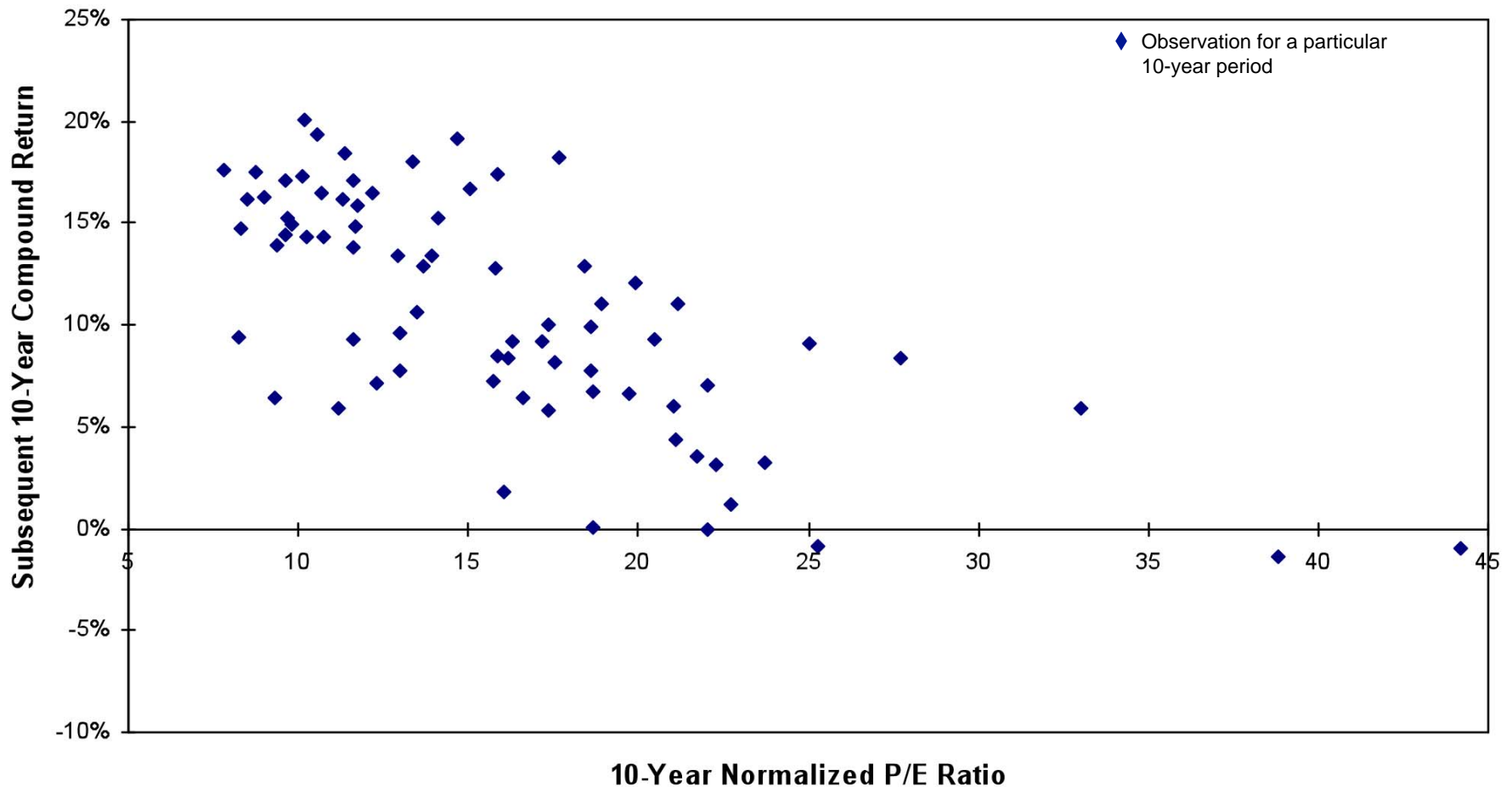
S&P 500 10-Year Normalized P/E Ratio & Subsequent 10-Year Compound Annual Return

10-Yr. Normalized P/E Ratio	Below 12	12 to 16	16 to 20	Above 20
Average 10-Yr. Compound Return	14.88%	12.91%	8.50%	4.33%
Range of Historical Outcomes:				
75 th %	17.11%	16.50%	10.00%	7.40%
50 th %	15.59%	13.11%	8.42%	4.00%
25 th %	14.32%	9.33%	6.63%	0.92%
Number of 10-Yr. Periods	26	16	17	16
Average Equity Risk Premium*	8.25%	7.94%	4.14%	-1.30%

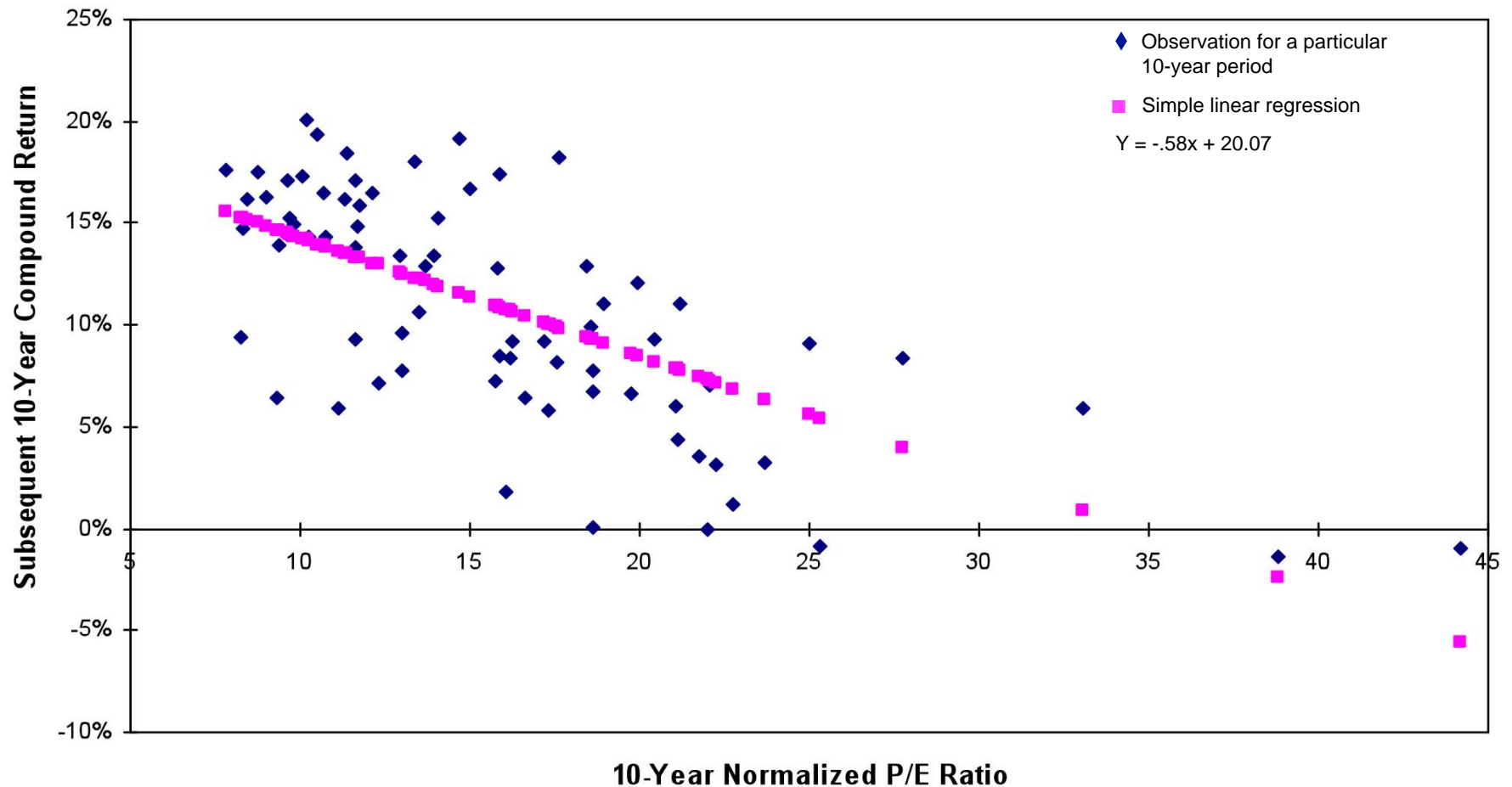
* For any given 10-year period, the Equity Risk Premium is the compound annual return on the S&P 500 (with dividends reinvested) minus the compound annual return on Long-Term Government Bonds. Calculated using data from Ibbotson Associates and Morningstar.

Data from 1926 through 2009.

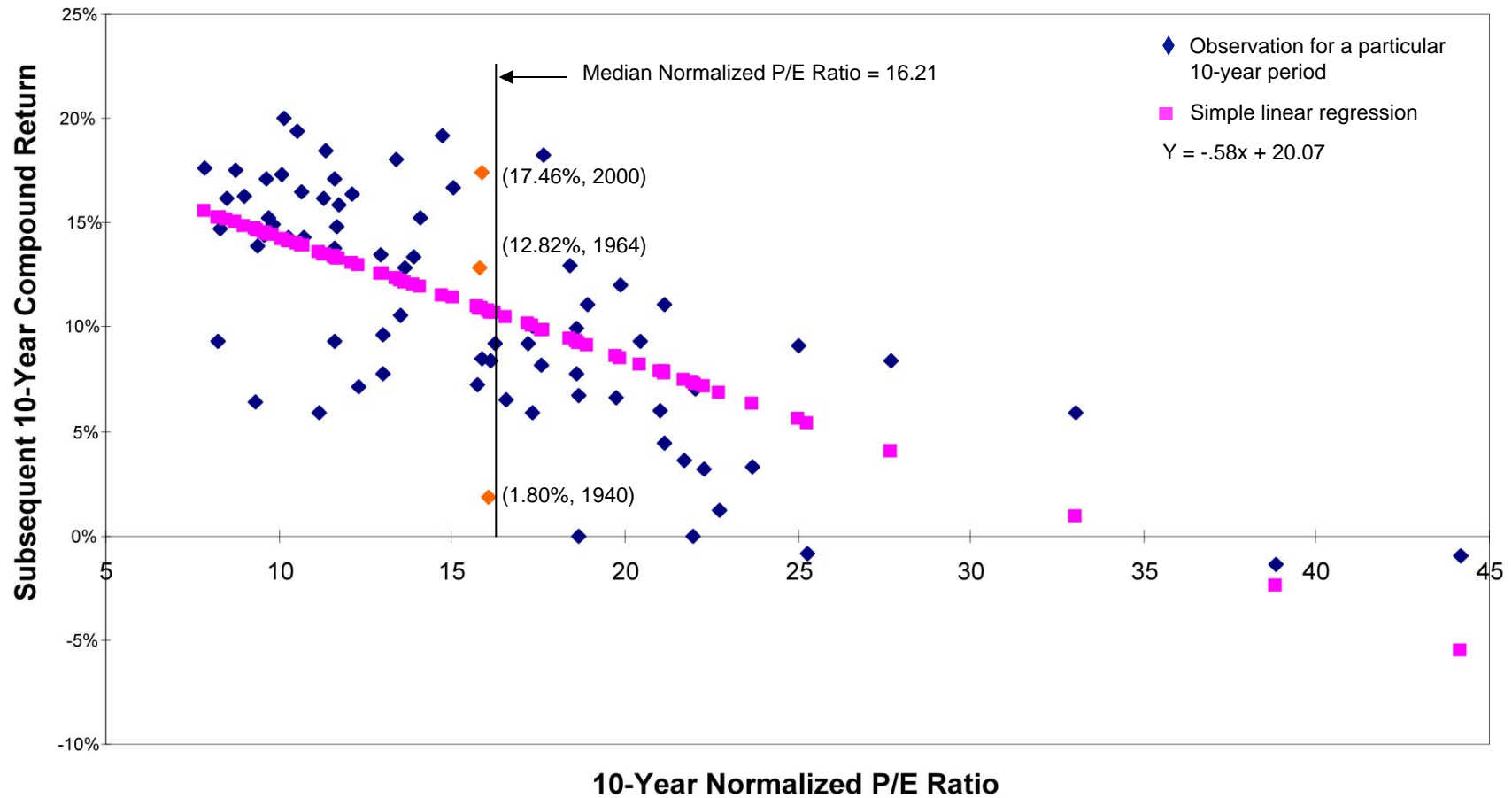
S&P 500 10-Year Normalized P/E Ratio & Subsequent 10-Year Compound Annual Return 1926 -- 2009



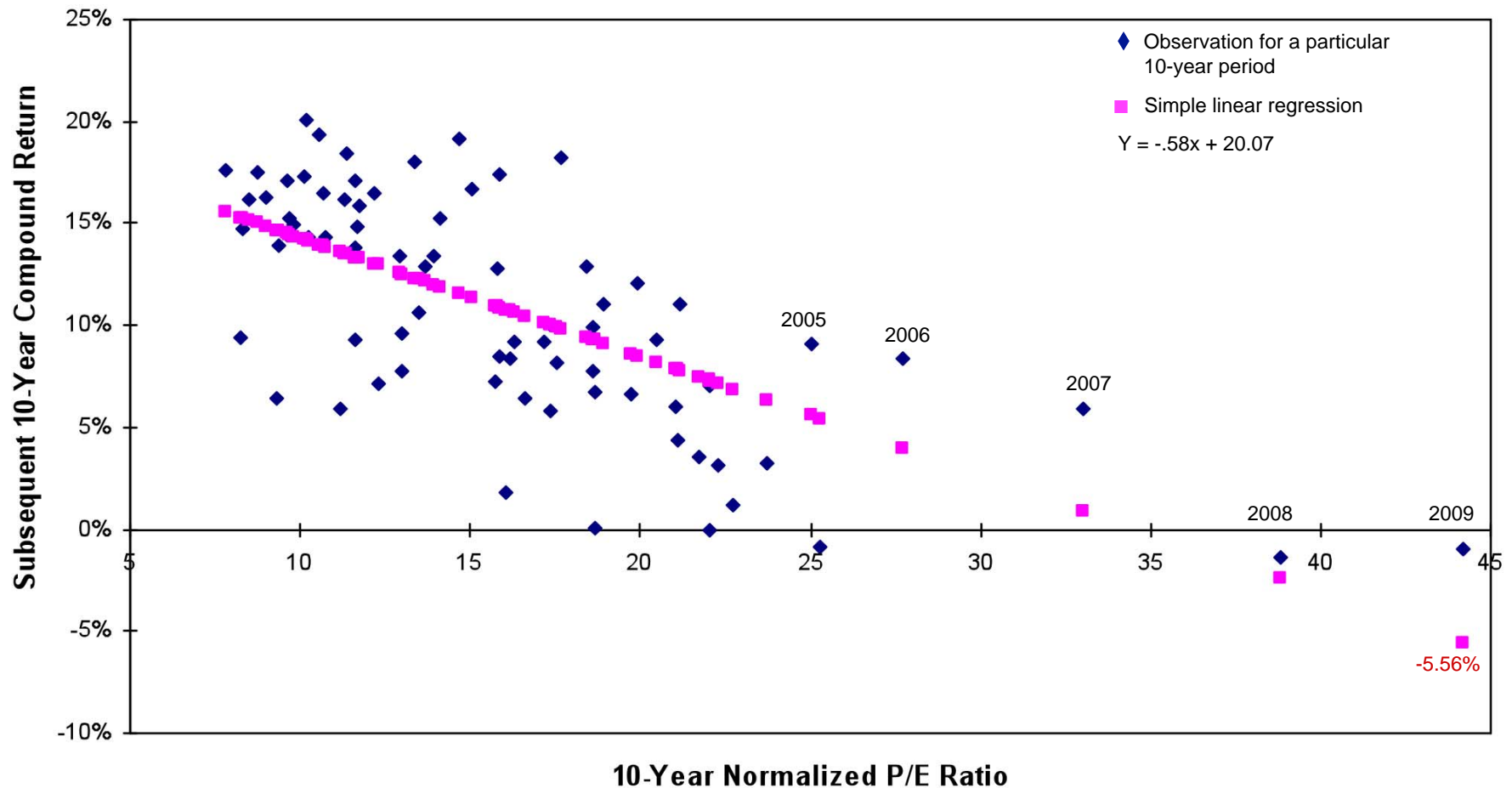
S&P 500 10-Year Normalized P/E Ratio & Subsequent 10-Year Compound Annual Return 1926 -- 2009



S&P 500 10-Year Normalized P/E Ratio & Subsequent 10-Year Compound Annual Return 1926 -- 2009



S&P 500 10-Year Normalized P/E Ratio & Subsequent 10-Year Compound Annual Return 1926 -- 2009



Estimating the Stock Market's Downside Risk Price-Only Returns to Reach Various Normalized Price-to-Earnings (P/E) Ratios*

Historical Normalized P/E Ratio*		Beginning S&P 500 Price Level and [Normalized P/E Ratio]						
Percentile**	Value**	600 [10.85]	700 [12.66]	800 [14.47]	900 [16.28]	1000 [18.09]	1100 [19.90]	1200 [21.70]
50 th	16.21	49.34%	28.01%	12.01%	-0.44%	-10.39%	-18.54%	-25.33%
25 th	11.60	6.87%	-8.39%	-19.84%	-28.75%	-35.88%	-41.70%	-46.56%
10 th	9.63	-11.25%	-23.93%	-33.44%	-40.83%	-46.75%	-51.59%	-55.62%
5 th	8.87	-18.24%	-29.92%	-38.68%	-45.49%	-50.94%	-55.40%	-59.12%

*The normalized P/E ratio is computed by dividing the S&P 500 price level by the S&P 500 earnings normalized over the preceding 10 years.

**The percentiles describe a frequency distribution of historical normalized P/E ratios for the S&P 500 from 1926 through 2009. For example, historically the S&P 500 has been priced at less than:

16.21 times normalized earnings 50 percent of the time.

11.60 times normalized earnings 25 percent of the time.

9.63 times normalized earnings 10 percent of the time.

Using one of the "Beginning S&P 500 Price Levels" as a starting point and one of the "Percentile Values" as an ending point, the table shows the S&P 500 price level change in reaching a particular normalized P/E ratio value. For example, if the S&P 500 price level is currently 1000 (with a normalized P/E ratio of 18.09), the S&P 500 will fall -46.75 percent to reach a normalized P/E ratio of 9.63 (10th percentile). The S&P 500 has traded at or below this normalized P/E ratio 10 percent of the time from 1926 through 2009.

A Troublesome Mismatch: Equity Time Horizon vs. Evaluation Horizon

- An investor who overreacts to short-term (daily, monthly, yearly) market ups and downs ceases to be a long-term investor.
- Stocks and other equities are investments for longer time horizons (10-20+ years).
- Equity asset class performance should therefore be evaluated over longer time horizons.
- Attaching too much significance to short-term equity returns fuels fear in down markets and greed in up markets.
- Emotional decision-making leads to poor investment decisions.

Conclusion

- Emotions, particularly at market extremes, may collide with one's best course of action.
- “To buy when others are despondently selling and to sell when others are avidly buying requires the greatest fortitude and pays the greatest rewards.” Sir John M. Templeton

Percentage Highest Return for Various Rolling Holding Periods 1926 -- 2009

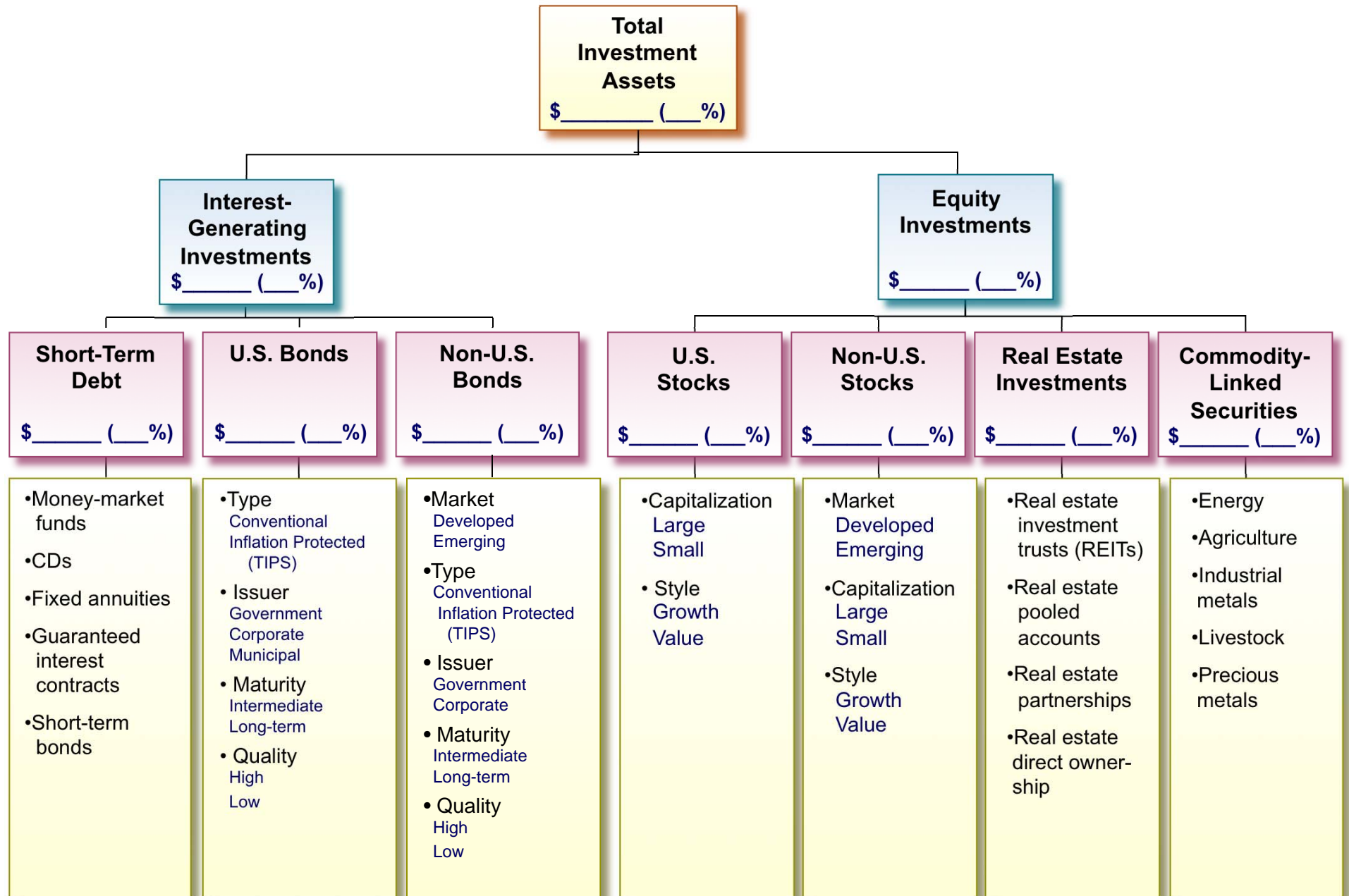
	1-Year	5-Year	10-Year	20-Year
Treasury Bills	14%	5%	8%	0%
Long-Term Government Bonds	14%	8%	5%	3%
Long-Term Corporate Bonds	14%	18%	11%	5%
Total Interest-Generating Investments	42%	31%	24%	8%
Large Company Stocks (Equity)	57%	70%	76%	92%

Note: All figures are rounded to the nearest whole percentage. Due to rounding, columns may not sum to 100%.

Interest-Generating vs. Equity Investments

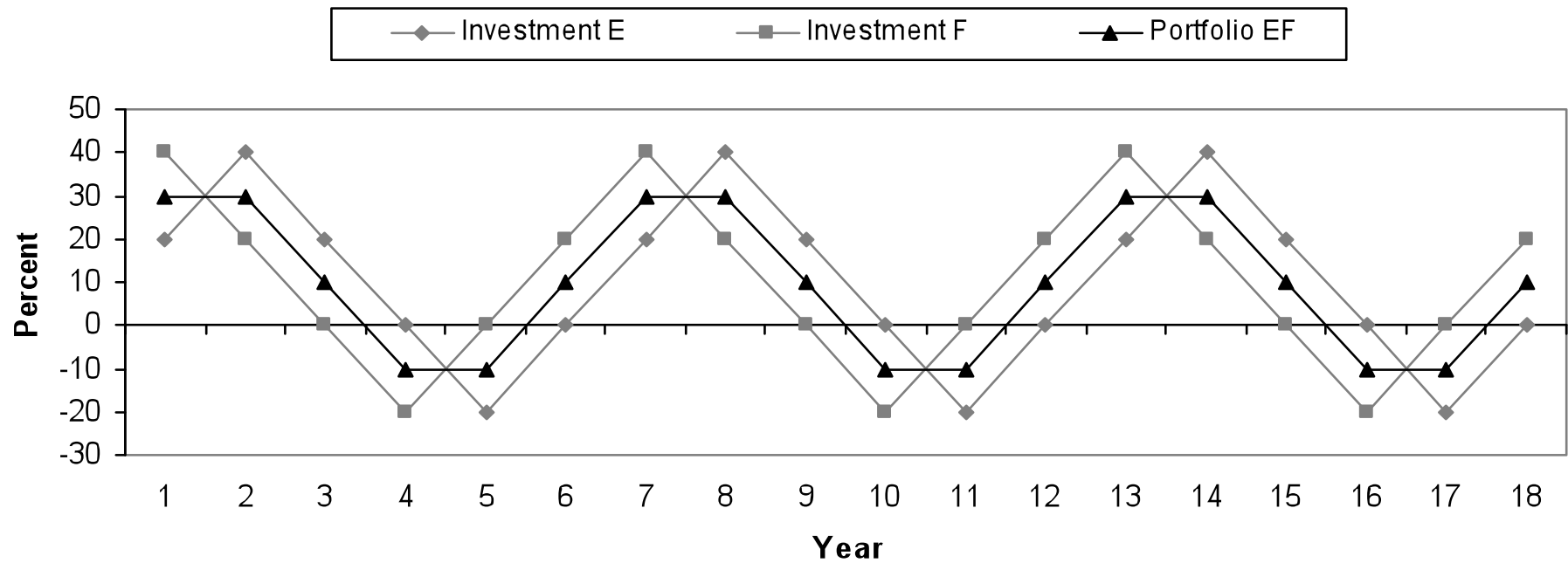
	Interest-Generating Investments	Equity Investments
Advantage	Less volatility	Long-term, real capital growth
Disadvantage	Inflation susceptibility	High volatility
Appropriate for	Short time horizons	Long time horizons

Investment Portfolio Design Format



Correlation: +0.45

A. Annual Returns

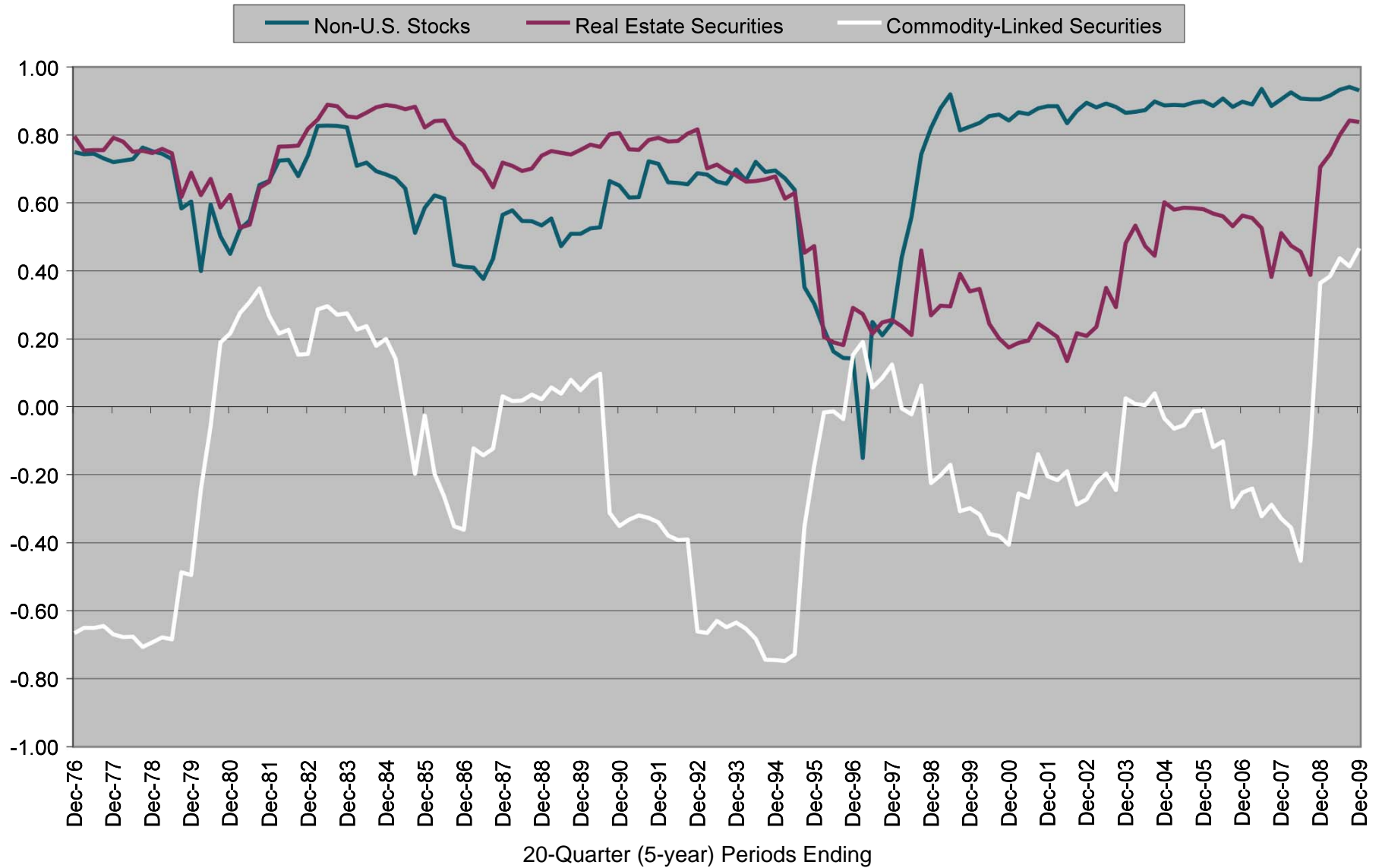


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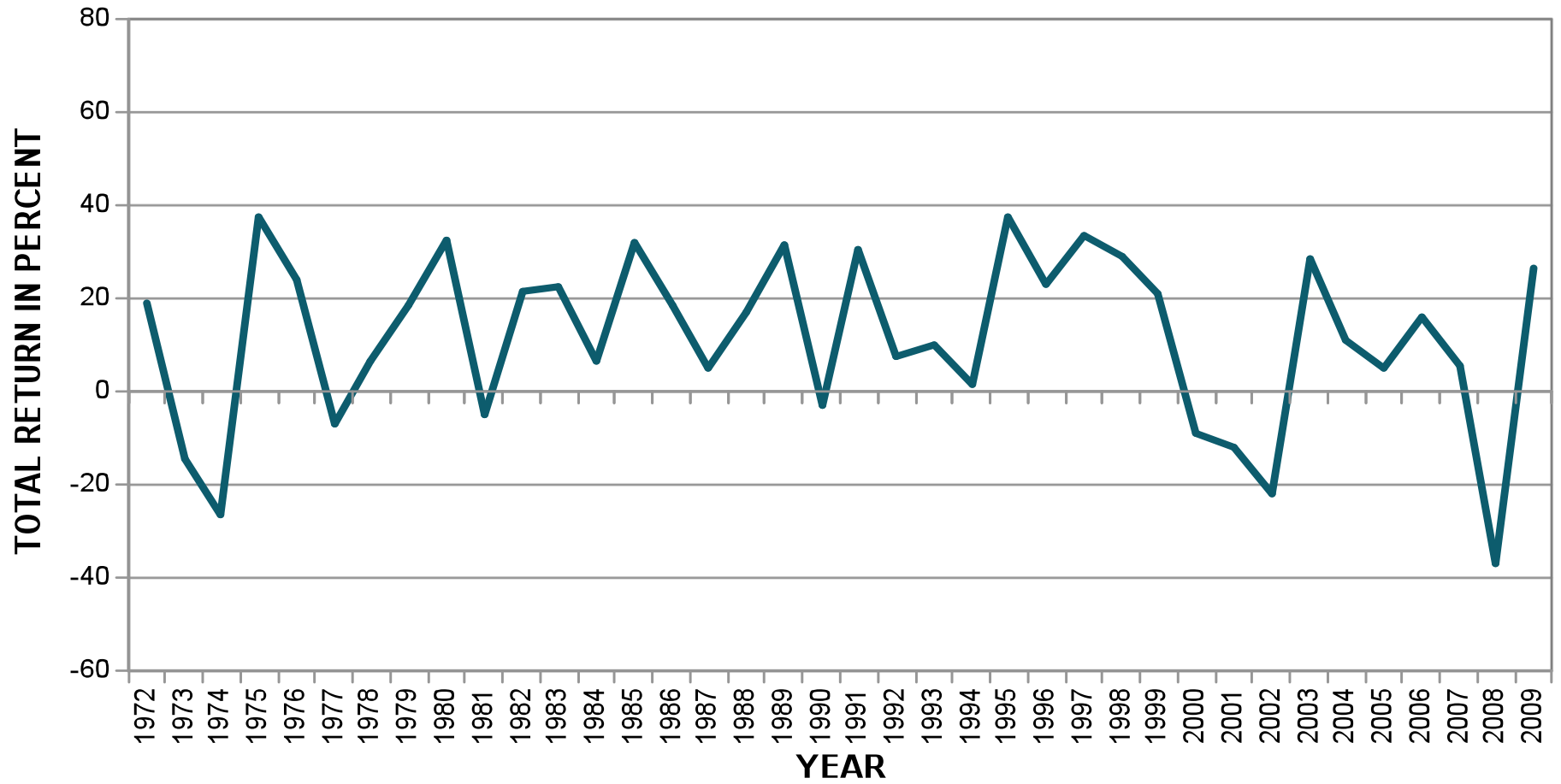
B. Annual Returns, Growth of \$1, and Summary Statistics

Year	Investment E		Investment F		Portfolio EF	
	Return in Percent	Growth of \$1.00	Return in Percent	Growth of \$1.00	Return in Percent	Growth of \$1.00
1	20 %	\$ 1.20	40 %	\$ 1.40	30 %	\$ 1.30
2	40	1.68	20	1.68	30	1.69
3	20	2.02	0	1.68	10	1.86
4	0	2.02	-20	1.34	-10	1.67
5	-20	1.61	0	1.34	-10	1.51
6	0	1.61	20	1.61	10	1.66
7	20	1.94	40	2.26	30	2.15
8	40	2.71	20	2.71	30	2.80
9	20	3.25	0	2.71	10	3.08
10	0	3.25	-20	2.17	-10	2.77
11	-20	2.60	0	2.17	-10	2.49
12	0	2.60	20	2.60	10	2.74
13	20	3.12	40	3.64	30	3.57
14	40	4.37	20	4.37	30	4.64
15	20	5.24	0	4.37	10	5.10
16	0	5.24	-20	3.50	-10	4.59
17	-20	4.20	0	3.50	-10	4.13
18	0	4.20	20	4.20	10	4.54
Simple Average Return		10.00%		10.00%		10.00%
Standard Deviation		19.70%		19.70%		16.80%
Compound Annual Return		8.29%		8.29%		8.77%

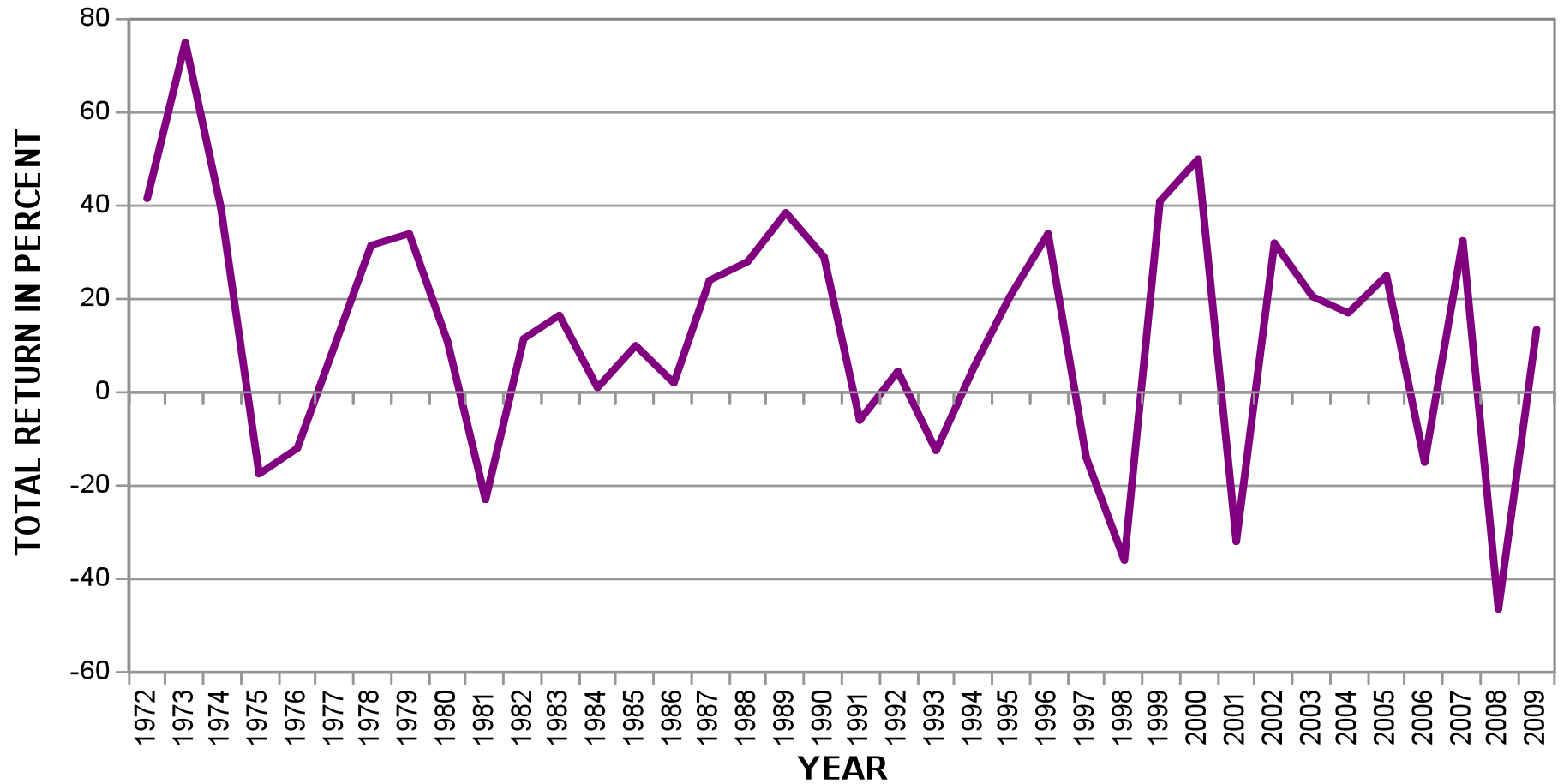
Correlations vs. U.S. Stocks



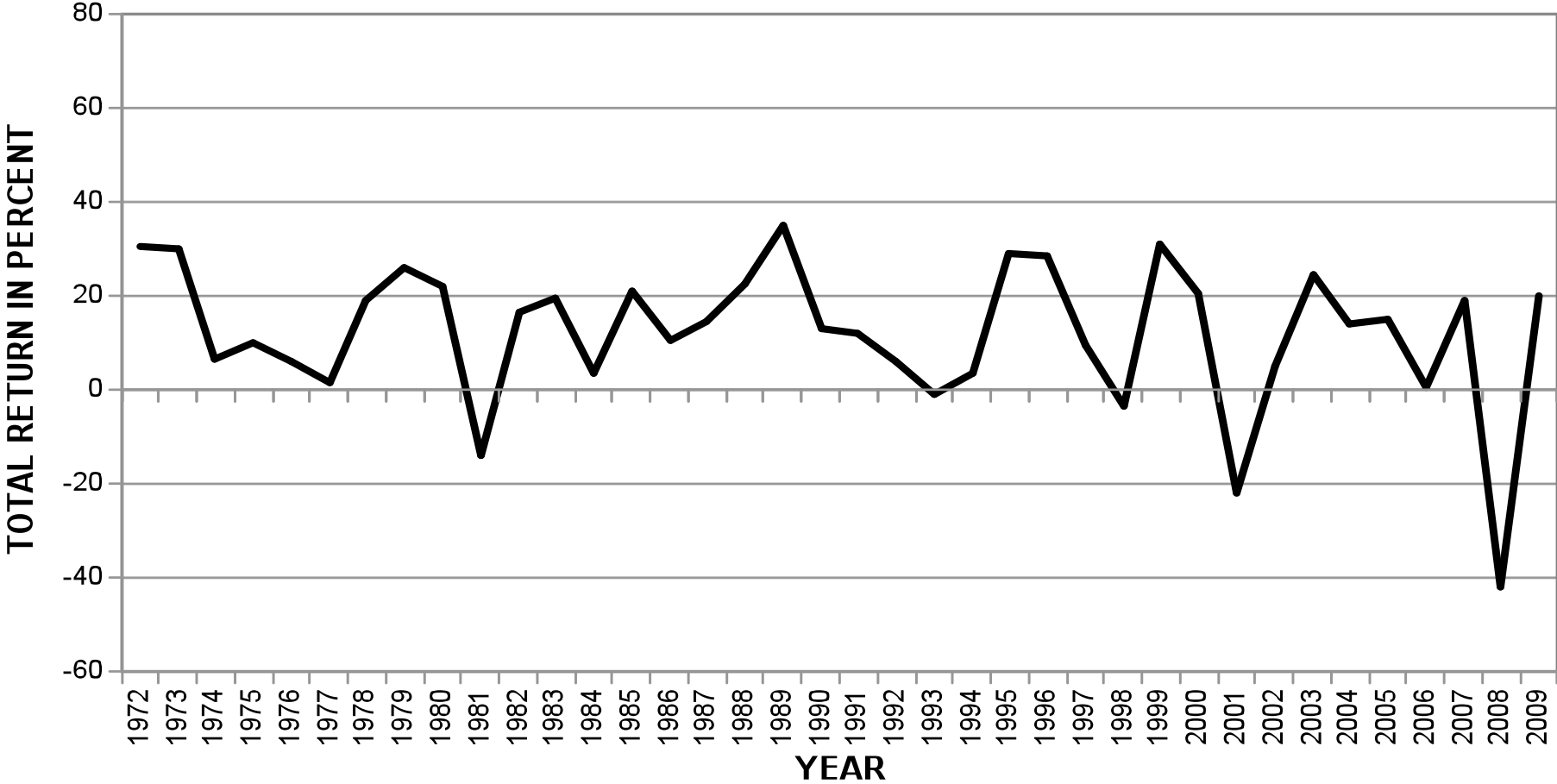
U.S. Stocks



Commodity-Linked Securities

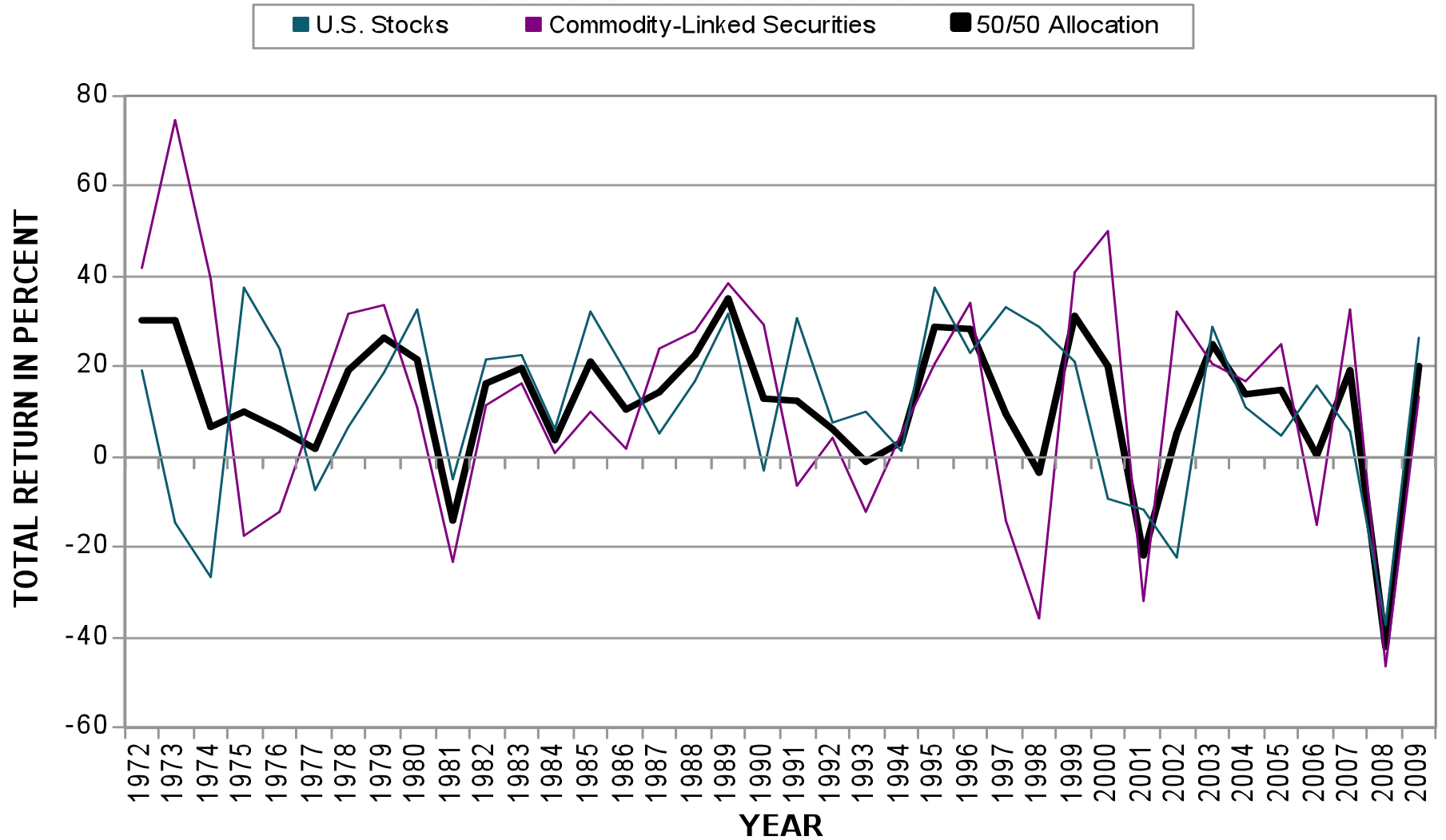


50/50 Allocation



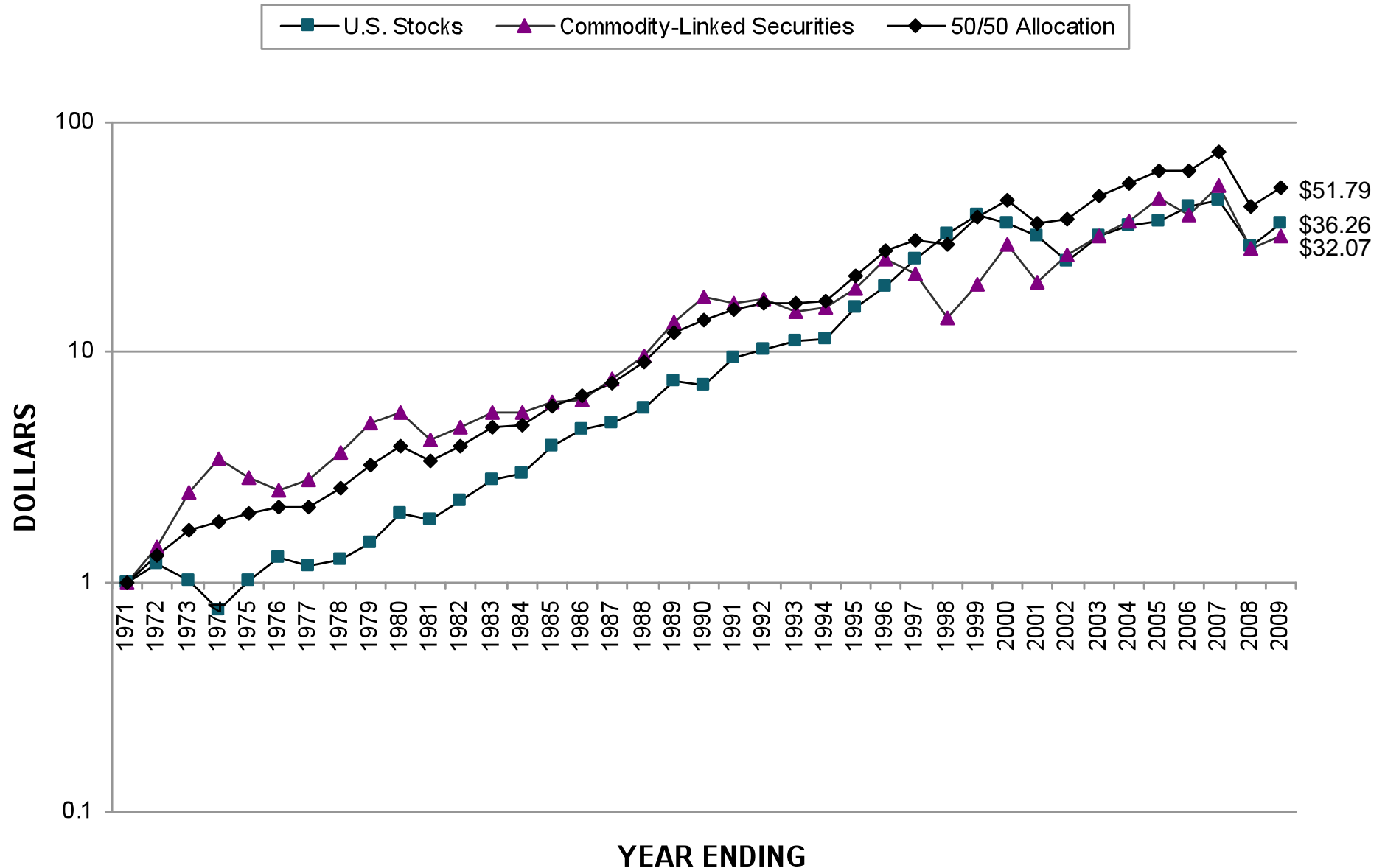
Source: ©Roger C. Gibson, 1999. Updated by author.

U.S. Stocks vs. Commodity-Linked Securities vs. 50/50 Allocation



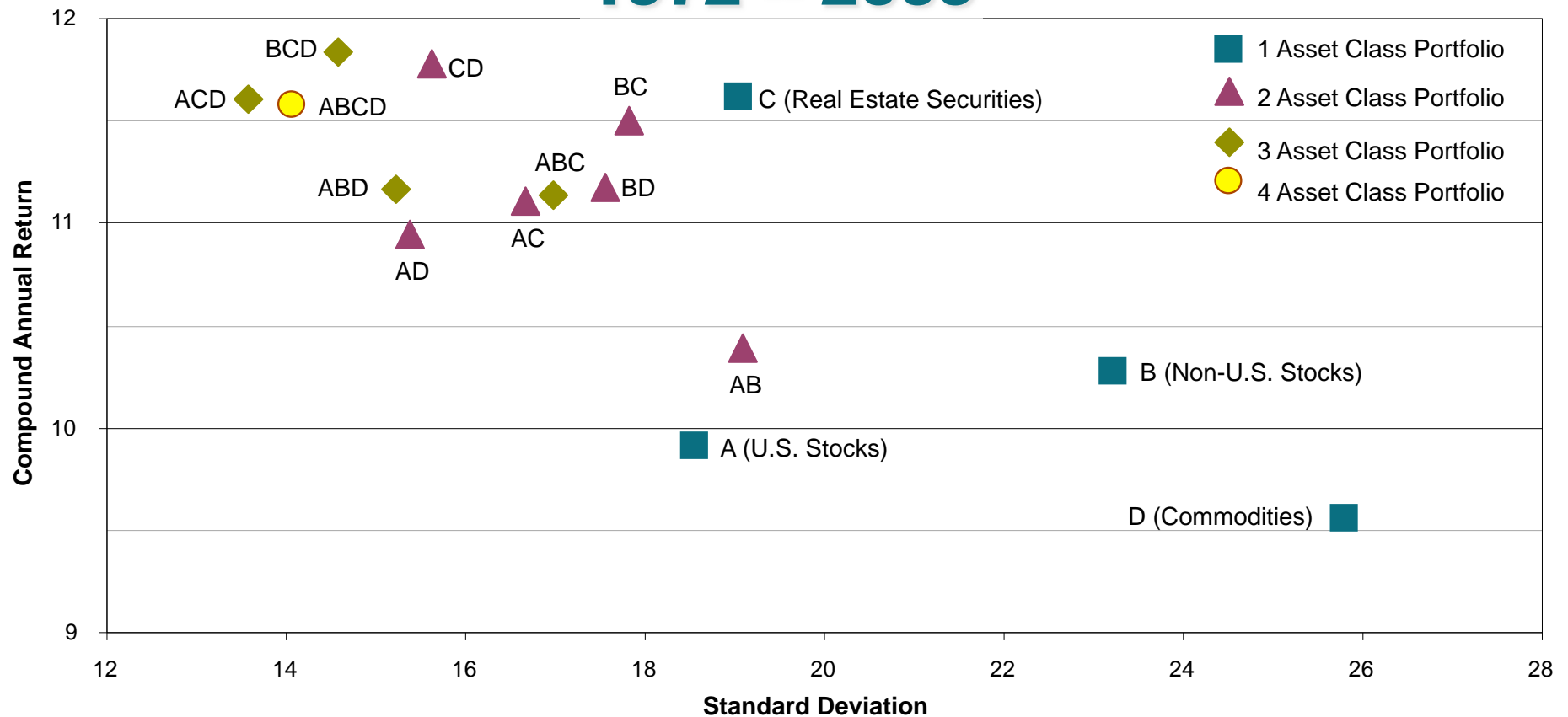
Source: ©Roger C. Gibson, 1999. Updated by author.

Growth of \$1: U.S. Stocks vs. Commodity-Linked Securities vs. 50/50 Allocation



Source: ©Roger C. Gibson, 1999. Updated by author.

Fifteen Equity Portfolios 1972 -- 2009



Single-Asset-Class Portfolios

A --- U.S. Stocks (S&P 500 Index)
 B --- Non-U.S. Stocks (MSCI EAFE Index)
 C --- Real Estate Securities (FTSE NAREIT Equity REITs Index)
 D --- Commodity-Linked Securities (S&P GSCI Index)

Two-Asset-Class Portfolios: Equally Allocated, Annually Rebalanced

AB --- U.S. Stocks, Non-U.S. Stocks
 AC --- U.S. Stocks, Real Estate Securities
 AD --- U.S. Stocks, Commodity-Linked Securities
 BC --- Non-U.S. Stocks, Real Estate Securities
 BD --- Non-U.S. Stocks, Commodity-Linked Securities
 CD --- Real Estate Securities, Commodity-Linked Securities

Three-Asset-Class Portfolios: Equally Allocated, Annually Rebalanced

ABC --- U.S. Stocks, Non-U.S. Stocks, Real Estate Securities
 ABD --- U.S. Stocks, Non-U.S. Stocks, Commodity-Linked Securities
 ACD --- U.S. Stocks, Real Estate Securities, Commodity-Linked Securities
 BCD --- Non-U.S. Stocks, Real Estate Securities, Commodity-Linked Securities

Four-Asset-Class Portfolio: Equally Allocated, Annually Rebalanced

ABCD --- U.S. Stocks, Non-U.S. Stocks, Real Estate Securities, Commodity-Linked Securities

Fifteen Equity Portfolios Performance Statistics 1972 -- 2009

Compound Annual Returns & Future Values of \$1.00 Ranked High to Low			Standard Deviations (Volatility) Ranked Low to High		Sharpe Ratios Ranked High to Low	
	%	\$		%		
BCD	11.84	70.29	ACD	13.57	ACD	0.51
CD	11.78	68.84	ABCD	14.07	BCD	0.50
C	11.62	65.18	BCD	14.57	ABCD	0.49
ACD	11.60	64.83	ABD	15.22	CD	0.47
ABCD	11.58	64.37	AD	15.37	ABD	0.44
BC	11.50	62.52	CD	15.61	AD	0.43
BD	11.17	55.95	AC	16.67	BC	0.41
ABD	11.16	55.80	ABC	16.97	AC	0.41
ABC	11.13	55.21	BD	17.56	ABC	0.40
AC	11.11	54.77	BC	17.83	BD	0.40
AD	10.95	51.79	A	18.56	C	0.40
AB	10.39	42.80	C	19.05	AB	0.34
B	10.28	41.13	AB	19.08	A	0.32
A	9.91	36.26	B	23.23	B	0.30
D	9.56	32.07	D	25.81	D	0.28

Average Performance Statistics: Four-, Three-, Two- & One-Asset-Class Portfolios

Compound Annual Returns & Future Values of \$1.00 Ranked High to Low			Standard Deviations (Volatility) Ranked Low to High		Sharpe Ratios Ranked High to Low	
	%	\$		%		
Four	11.58	64.37	Four	14.07	Four	0.49
Three	11.44	61.54	Three	15.09	Three	0.46
Two	11.15	56.11	Two	17.02	Two	0.41
One	10.34	43.66	One	21.66	One	0.32

Performance Statistics 1972 -- 2009

Entire Period

1972--2009	Portfolio A U.S. Stocks		Portfolio B Non-U.S. Stocks		Portfolio C Real Estate Securities		Portfolio D Commodity-Linked Securities		Portfolio ABCD Equal Allocation	
	Return ¹	Rank	Return ¹	Rank	Return ¹	Rank	Return ¹	Rank	Return ¹	Rank
Compound Annual Return	9.91	4	10.28	3	11.62	1	9.56	5	11.58	2
Future Value \$1	\$36.26		\$41.13		\$65.18		\$32.07		\$64.37	
Standard Deviation	18.56		23.23		19.05		25.81		14.07	
Sharpe Ratio	.32		.30		.40		.28		.49	

By Decade

	Portfolio A U.S. Stocks		Portfolio B Non-U.S. Stocks		Portfolio C Real Estate Securities		Portfolio D Commodity-Linked Securities		Portfolio ABCD Equal Allocation	
	Return ¹	Rank	Return ¹	Rank	Return ¹	Rank	Return ¹	Rank	Return ¹	Rank
1970s ²	5.08%	5	10.53%	4	11.07%	3	21.96%	1	14.13%	2
1980s	17.55%	2	22.77%	1	15.64%	4	10.64%	5	17.22%	3
1990s	18.21%	1	7.33%	4	9.14%	3	3.89%	5	10.80%	2
2000s	-0.95%	5	1.58%	4	10.62%	1	4.99%	3	5.05%	2
# of below-average returns	2		3		1		2		0	

¹ Compound Annual Return

² 1972 – 1979

Best performance numbers are highlighted and in blue.

Has Multiple-Asset-Class Investing Failed?

Multiple-asset-class investing...

- Promises to deliver long-term portfolio returns that are
 - higher than the weighted-average return of the asset classes comprising the portfolio
 - less volatile than the weighted-average volatility of the asset classes comprising the portfolio
- Has delivered on that promise in the past
- Will deliver on that promise in the future
- Mitigates risk but does not eliminate it

“You cannot hedge the world.” Paul Volcker

Four Asset Classes at U.S. Global Investors

GOLD AND NATURAL RESOURCES FUNDS	FIXED INCOME FUNDS
Gold and Precious Metals Fund (USERX)	U.S. Government Securities Savings Fund (UGSXX)
Global Resources Fund (PSPFX)	U.S. Treasury Securities Cash Fund (USTXX)
World Precious Minerals Fund (UNWPIX)	Tax Free Fund (USUTX)
	Near-Term Tax Free Fund (NEARX)
INTERNATIONAL EQUITY FUNDS	DOMESTIC EQUITY FUNDS
China Region Fund (USCOX)	All American Equity Fund (GBTFX)
Eastern European Fund (EUROX)	Holmes Growth Fund (ACBGX)
Global Emerging Markets Fund (GEMFX)	
Global MegaTrends Fund (MEGAX)	



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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. 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% to 10% of your portfolio in these sectors. The Eastern European Fund invests more than 25% 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. Tax-exempt income is federal income tax free. A portion of this income may be subject to state and local income taxes, and if applicable, may subject certain investors to the Alternative Minimum Tax as well. Each tax free fund may invest up to 20% of its assets in securities that pay taxable interest. Income or fund distributions attributable to capital gains are usually subject to both state and federal income taxes. Bond funds are subject to interest-rate risk; their value declines as interest rates rise. The tax free funds may be exposed to risks related to a concentration of investments in a particular state or geographic area. These investments present risks resulting from changes in economic conditions of the region or issuer. All opinions expressed and data provided are subject to change without notice. Some of these opinions may not be appropriate to every investor. Diversification does not protect an investor from market risks and does not assure a profit. Alpha is a measure of performance on a risk-adjusted basis. Alpha takes the volatility (price risk) of a mutual fund and compares its risk-adjusted performance to a benchmark index. The excess return of the fund relative to the return of the benchmark index is a fund's alpha. 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. The S&P 500 Stock Index is a widely recognized capitalization-weighted index of 500 common stock prices in U.S. companies. Although Lipper makes reasonable efforts to ensure the accuracy and reliability of the data contained herein, the accuracy is not guaranteed by Lipper. Users acknowledge that they have not relied upon any warranty, condition, guarantee, or representation made by Lipper. Any use of the data for analyzing, managing, or trading financial instruments is at the user's own risk. This is not an offer to buy or sell securities.



Disclosures

Regression is a statistical measure that attempts to determine the strength of the relationship between one dependent variable and a series of other changing variables (known as independent variables). R-squared is a statistical measure that represents the percentage of a fund or security's movements that can be explained by movements in a benchmark index. R-squared values range from 0 to 100. An R-squared of 100 means that all movements of a security are completely explained by movements in the index. Sharpe ratio is a measure of risk-adjusted performance calculated by subtracting the risk-free rate from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns. The S&P GSCI Spot index tracks the price of the nearby futures contracts for a basket of commodities. The Dow Jones UBS Commodity Index is composed of futures contracts on physical commodities, and includes commodities traded on U.S. exchanges, with the exception of aluminum, nickel and zinc, which trade on the London Metal Exchange (LME). The MSCI EAFE (Europe, Australia and Far East) Index measures the performance of the leading stocks in 21 developed countries outside North America. The FTSE NAREIT Equity REITS Index is a broad-based index consisting of real estate investment trusts (REITs). Holdings in U.S. Global Investors Funds as a percentage of net assets as of 6/30/10: Proctor & Gamble 0.00%.

