GROW 3Q 2024 Webcast Transcript

Holly Schoenfeldt: [00:00:00] Good morning, everyone. Thank you for joining us today for our webcast announcing U. S. Global Investors results for quarter ended March 31st, 2024. I'm Holly Schoenfeldt. As you can see on slide number two, the presenters for today's program are Frank Holmes, U. S. Global Investors CEO and Chief Investment Officer, Lisa Calicott, Chief Financial Officer, and myself, Holly Schoenfeldt, Director of Marketing.

Now let's move to slide number three. This is forward looking statements. So, during this webcast, we may make forward looking statements about our relative business outlook. Any forward-looking statements and all other statements made during this webcast that don't pertain to historical facts are subject to risks and uncertainties that may materially affect actual results.

Please refer to our press release and the corresponding Form 10 Q filing for more detail on factors that could cause actual results to differ [00:01:00] materially from any described today in forward looking statements. Any such statements are made as of today, and U. S. Global accepts no obligation to update them in the future.

On the next slide, as always, we would love to offer anyone who tuned in today one of our JETS, GOAU, or SEA Hats. In addition, we do have JETS luggage tags available. All you have to do is send us an email with your physical mailing address to info at www.usfunds.com.

All right. So, on this slide, I want to quickly review our company. U. S. Global Investors is an innovative investment manager with vast experience in global markets and specialized sectors. It was originally founded as an investment club, becoming a registered investment advisor in 1968. The company has a long-standing history of global investing and launching the first of their kind investment products, including the first no load gold fund.

We are well known for our expertise in gold and precious metals, [00:02:00] natural resources, Airlines and luxury goods. And now on the next slide, this is where I want to hand the presentation over to CEO Frank Holmes to review what we believe is one of the most helpful and also one of the most telling visuals when it comes to investing, not only for grow, but for any major asset class.

Frank.

Frank Holmes: Thank you, Holly. And thank you to all the shareholders and Lisa for helping, uh, the marketing team put this presentation together. Um, and yes, the DNA volatility is very important because it tries to identify that and relate that every asset class has its own unique volatility, uh, and often it's more volatile, the more emergent or a new business is coming into the forefront, and if it's not in one of the big indexes, uh, Tesla, as you can see here, uh, Used to have a daily volatility of 6%.

It's now 3 percent because it's gone into the S& P 500. And that's what happens over [00:03:00] time. Uh, and, and so anyone that goes and buys, uh, grow has to expect, it's a nonevent for 70 percent of the time to go up or down 2 percent in a day and over a 10-day period to go plus or minus 5%. That's very common with micro-cap stocks.

And it's very common with grow. I am going to walk through the presentation to try to help you embrace and understand what drives the direction often, uh, for grow stock price. Next, please. I want to thank, uh, uh, all the fund investment advisors. Uh, most of these, uh, investment advisors are index, um, except for a parent that is a, um, uh, an active micro-cap fund manager.

And I believe that the same thing with Canon wealth and thank you for being a shareholder. Next, please. I own approximately 18 percent of the company and I have 99 percent of the voting control, which is to be in [00:04:00] compliance with 40 Act rules for an investment advisor. Without going into great detail on the complexity of it, but basically, uh, all the covenants, everything's aligned with all shareholders.

Next, please. The company has been paying a monthly dividend since 2007. The current yield, uh, and the share price at $2 and 69 cents, it's 3.35. Uh, and, uh, the board, uh, on a regular basis, reviews to approve the, uh, the, the dividend. Next, please. Our vision is to create thematic products that are sustainable.

Uh, that's always proved to be difficult. I can, I don't know why, but knowing for gold, gold goes through these big cycles. Um, and, uh, the last big gold cycle from 2001 to 2007. Our assets went from basically 500 million up to 7 billion. Uh, and it's [00:05:00] interesting to see that those assets like Eastern Europe, which were very early, went from 4 million to over a billion dollars.

And the same thing, um, a China fund, uh, from the, from the early nineties, uh, it, it exploded in in assets. But the anti the whole anti Eastern Europe and concern over Russia is basically really created a difficulty for investors to want to take that risk. I think a lot of American investors would rather take the risk in a domestic technology stock than to go and be in Eastern Europe or anything that's in China.

So those two funds, which were one-time big product funds and very profitable funds have been shut down and it has nothing to do with the overall fund performance. It is a combination of mutual funds being no longer the appealing asset class. It's been directed towards ETFs where the growth is. And I'm going to walk through what the specialties in the ETF space, [00:06:00] where we see the growth of maintaining, um, and, and there's, and we go through these cycles.

So life’s about managing the expectations for a new product launch. We believe that, um, the basic cost for audits and legal is about a quarter million a year. It's excluding compliance and marketing and trading, et cetera, but just to put a product on the shelf and you have to take about four years Uh, to get the brand, uh, so that you get up to the critical mass, you need about 50 million at 60 basis points to cover your, your basic on the shelf costs, uh, to cover all your costs.

You need about 100 million dollars. So that's just something for we do understand, and we do have an idea that when we launch a product that we're willing to support and back it. I mentioned to you a few minutes ago that we did shut down our Eastern European fund and our China region fund. And what we learn in that whole [00:07:00] journey is that the shipping cargo shipping.

In particular, uh, ships on the ocean sea, they capture about 80 percent of commodity flows from emerging countries to manufacturing centers. And then that ended product and being shipped back to developing countries or developed countries from developing countries. And, and you can play, uh, through the shipping and cargo, uh, airlines and through cargo ships.

the growth and emerging markets. You don't have to go and have a thematic Japanese fund. You don't have to go to China. Uh, it all, any products that are coming from Japan over to America, they're going to come by ship or plane. So that has been our focus and strategy. Of replacing those, uh, with, uh, uh, our sea to sky, uh, ETF, um, strategically, we continue to buy back the stock, um, and manage them.

I'll talk more in detail in a few minutes and then [00:08:00] manage to preserve our cash for future growth opportunities and market corrections and emanate activity to grow our fund assets. Uh, we're always looking at opportunities for growth. Next, please. So why buyback shares? So, uh, the company believes that stock is undervalued, deeply undervalued.

And therefore, buys back shares of grow on when the price is flat or down from the previous day's trading. Uh, we have a disciplined, orderly fashion of buying back stock. The lower it goes, the more we buy back. And that's just how simple it is. in that model. And Warren Buffett highlights the value proposition of buying back one's own stock and as a value acreted prices.

So doing so, Buffett says, benefits all shareholders, not just the biggest holders. And we agree. Next please. So, the S& P 500 Goldman Sachs says the U. S. stock buybacks could jump to all time high to 1. 1 trillion, even with the tax that was imposed by the Biden administration. [00:09:00] And interesting enough, um, the huge, huge purchase that was announced this past week by Apple, um, which ignited, uh, the technology stocks, uh, from the billions of dollars a month they throw off in free cashflow.

And so I think it's just prudent in our strategy, what we're doing. Next please. The current share repurchase program for the quarter ended March 31st, 2024. The company repurchased a total of 211, 282 class A shares using approximately 577, 000. Next please.

The float used to be 15 million shares, and I can see over time, it's slowly contracting, um, that the Class A shares are standing at 11. 8 million, and the shareholder float is approximately 11. 2. Next, [00:10:00] please. So the concept of having a dividend and buying back stock, um, maybe in favor, created an ETF that became quite successful on focusing on those companies that had three things, um, paying down their debt.

Free cash flow to increase the dividend or buy back the stock and those stocks outperform, uh, the S and P 500 was his thesis. And, um, and so we, we do find that it's a, it's a, it's a very balanced way of how we're looking at the capital structure of capital markets and how we're positioned capital markets.

Next, please. So the shareholder yield formula is cash dividends net repurchase and net debt reduction divided by market cap. Next please. So gross total shareholder yield is approximately 8. 32 percent. Now this is relevant when you compare it to the next visual [00:11:00] which is the five-year government bond.

So often in dividend growth monitor quant models, uh, it's risk free to go buy a five-year government bond today and get a 4.21% yield. And so why would someone buy, grow? Um, and you're get the yield, total shareholder yield is 8.32 and that's because of the volatility and what the risk is. So risk-free is 4.21.

Anything above that is the premium. So quite often it's, it, the premium's only about 50%. So it appears to me that growth is undervalued on this model. Um, but the micro caps as a whole have seen net redemptions out of the funds, uh, many of the active funds and the small cap micro-cap have found it difficult and fun flows.

Uh, and in particular when the rules changed, uh, three years ago, come June, uh, on. On what's deemed as being a liquid stock, uh, position that used to only be [00:12:00] for bonds and, and, uh, it's, and that morphed over the regulatory world to include equities. And that has had a negative impact, um, because trustees and, and, uh, of these boards, uh, are always reluctant to have to, uh, determine what is illiquid.

And so why even own them? So you've seen, um, a bias towards Uh, even in the gold space, which we have a tremendous expertise and that they'll buy a stock because of liquidity, not because it pays a higher yield, or it offers better value, uh, and and and that sort of morphing up a regulatory world, but longer term, it's always been proven, uh, on data analysis when you go back 20 and 30 years.

Uh, the total shareholder yield is a great discipline if you're a long term investor to look at picking copy companies next place So this is a visual that you would [00:13:00] do as a fund manager and you're looking at Rising yields are weighted on microcap stocks and what you can see In 2023 in the green is the five year government bond yield was rising and it ran up to almost 5 percent from three and a half percent.

And you saw that the microcap stocks started to sell off with that in particular last year from August to October. And then we had the 50 year, the sorry, the 50 day moving average for the yields. Uh, on the, on the five-year government bond, it fell below. And as soon as it fell below, all of a sudden, micro-cap stocks are rising.

Uh, this is the tradeoff. Each month, insurance companies and other asset allocators have fund flows coming into them, and they do this trade Risk free, uh, uh, they go to five-year government and otherwise you start going to buy stocks and you can see this rotation. And then since April, uh, we've seen where the yields start to rise again and micro-cap stocks start [00:14:00] to sell off.

It's just, I think it's really important we are a micro-cap stock as a shareholder, uh, if you're an active fund manager, that this over any quarter, any 12 month rolling period can have an impact. on the price movement and direction of the stock. But more important is the growth in revenue and the growth in revenue is highly correlated to the growth in assets.

Next please. And this is another sort of visual of taking a look at a different time period. This is micro-cap, uh, index, uh, the Russell micro-cap index versus the big cap S&P 500 versus GROW stock. So, you can see the magnificent 7 big tech stocks are far outperforming the S&P 500.

Uh, the Russell micro-cap index is up 20 percent and grows up 11 percent When you take a look over 12-month period. Next, please. [00:15:00] When we look at three years, you can see that grows greatly underperformed. And that's I have some wonderful shareholders that caught up and really drill me on. What are we doing?

What's the new products? What are the assets? How are we managing our cap structure, et cetera? Um, and, uh, some are very useful and respect that they provide insight. They question, especially Bruce Newberg. Uh, he's a, it's a wonderful, thoughtful, long-term shareholder that's come in and gone in and out of the, of the company.

And, and so when we look at three years, uh, you can see we've underperformed on the Russell micro-cap. It is also underperformed versus the S& P, which is up 38%. It's a big difference between the Russell micro-cap and the big cap liquid stocks in that overall performance. So why has Russell been a sort of laggard.

Next, please. Well, our understanding is that when we go and look [00:16:00] at the Russell microcap and we look at bro over a five-year period. Well, we had a spectacular run. Uh, where we ran up to 12 and and, uh, you can see here. This is what? 191 percent price action. Uh, since over the five year period and we've outperformed and we've outperformed the Russell Microcap, which is really hard to believe, but if you had bought it five years ago, uh, you're still doing better own and grow, uh, had you been able to maintain and had you been able to so shrewdly get out at the very top, then you're a very good trader or trading of the position.

I myself have not been a trader out of the position as I continue to try to build wealth underneath, uh, the hood of the company. Next, please. Now this is more granular, and this is trying to explain to you as an investor. What often drives the stock movement, and we can see when the stock had its big run and peak. [00:17:00]

Uh, Hive technology, which we were owning up close to a dollar, uh, for every share, a share in Hive. It had this spectacular root move Hive did. And this also had a big impact on the movement of Grow, uh, because of mark to market. And we also had this huge asset growth during COVID where Hive went from, not Hive, but uh, JETS ETF went from 40 million.

up to September, about 4 billion in assets. So, we had this incredible run where JETS was growing, Hive was exploding, Bitcoin was exploding, and that moved our stock. Uh, that's our stock seems to move on the anticipation of big growth and revenue. It also corrects. So, one then would say, okay, well, let's look at those five years.

Why, why are you down from that peak? Uh, whereas JETS is not down as much. Well, JETS has had redemptions during that period. Predominantly international [00:18:00] investors that put over a billion five into the ETF have seemed to redeem. Um, we had a lot of money out of Israel, uh, Israeli insurance companies, and as we all know, the challenge that Israel has been going through, but they started redeeming before the war in Gaza.

Um, as in, in sort of how they were looking at the risk of a recession. And we've now been living with over 500 days, the longest time period of inverted yield curve. And historically with inverted yield curve, microcap stocks are challenged. Uh, and, and I think that this is another factor, and the concern of inverted yield curve is a big recession and therefore the airlines will take it on the chin.

But in fact, the redemptions have been there, but the airlines continue to make buckets of money. They continue to squeeze out any type of competition. Um, they have this. I'm going to walk you through in a few minutes. There's no discounts in booking a year out from now, like there would be in a [00:19:00] normal fears of a recessionary year.

Uh, you would see in the forward curve that there'd be a big dip in pricing of buying tickets. That's not taking place. So the airlines remain, as a GARP investor, deeply undervalued and have more on the upside, uh, on a relative basis for transportation. And the supply side of pilots and the supply side of AirPath routes, et cetera, remain very, very tight.

And therefore, there's a big pricing power that the airlines have hive. We had converted into a convertible debenture pretty well at the, at the, at the peak when we take a look at that period when hive had that big run and that's done well and building cash in our balance sheet. Um, uh, but the movement of, of, of U.

S. global day to day or mark to mark on a quarterly basis has really changed with the, um, as you can see with the structure of the note. Next, please. [00:20:00] So when we look at our competitors, WisdomTree is 100 percent ETS, Invesco, 40% of their assets are the QQQ, and they also have mutual funds and private assets, et cetera.

And US Global is about 86% of our operating revenue comes from ATFs. So we're not a hundred percent. And so I think it's on a relative basis, important to compare. You can see from price to book, uh, US Global is, is, uh, inexpensive. The Wisdom Tree raises at the highest price to book, uh, QQ. Q trace at a lower value, but I think that we're probably lower than QQQ.

Because of the intrinsic value of the real estate, and then I get shareholders calling up sell a real estate, lease it back and buy back the stock. That's just a short term fix. It's still, it's still cheaper to maintain this building and the space that we have and the opportunity for growth than it is to go and lease [00:21:00] across the street for the amount of space we have.

So I do track that as a, as a money manager of the allocation of capital, but so far, uh, it's been more attractive. It's not a skyscraper. It's not downtown Toronto or LA where the real estate of the reach of fallen 85%. Uh, it has a different type of composition, uh, as a, as a piece of real estate. It's not subject to, uh, the big building problem that's happening, uh, since COVID.

Um, so I, I remain fairly, feeling fairly safe, uh, on that as an undervalued asset. I do know trying to buy land along two and a half acres along the interstate highway system, which we are at the first loop around the city of San Antonio and the interstate highway system, which goes from Jacksonville, Florida, through New Orleans, through Houston, through San Antonio.

Uh, all the way to L. A. Um, is a valuable piece of land. So I think that over time, it's just one [00:22:00] of those, uh, good things to tip. So to hold as a, as a long term asset, um, on a price to cashflow, you can see we're expensive, uh, compared to wisdom tree and, um, uh, Invesco, uh, on a dividend yield. We're, we're attractive, uh, Invesco is, is higher, but on a total yield, we're more attractive on a pre tax margin.

Uh, we're more attractive than, uh, Invesco, um, WisdomTree's assets, pre tax margins have improved and the return on their assets have improved. But we are still sort of interesting enough, uh, in the, in the middle tier, as you can see here is, is not being, uh, a deeply undervalued and not overvalued relative to the other group.

But I would rest you that I believe that we're deeply undervalued and that's why on a steady basis, we continue to buy back a stock. I look at the fiscal year 2024. [00:23:00] Um, the company remains profitable despite challenging macro market conditions. The company continues to buy back stock.

The company has a strong balance sheet, which includes cash and other investments. But for this past quarter from December to, to March, uh, if we were basically flat, Lisa, we'll go into the, uh, the details from an operating point of view. Uh, we lost money and that predominantly a lot of has to deal with, uh, the acquisition of assets in Europe, uh, the expansion of, of applying our quantum mental model.

Uh, in London, which we're very excited about, uh, of, of converting jets into trip and expanding, uh, the trip model, uh, to not just have airlines, but also shipping, which is shipping. Um, uh, cruise lines have been one of those great stellar performers in the IBD investor business daily universe. Uh, and those talks have been on fire, uh, over the past couple of years.

So they will now start to show up in the [00:24:00] trip model. Um, and so we're excited that we've got that fund up to critical mass, uh, and hopefully to turn profitable here in the next six months. Next, please.

So we have about 1. 8 billion in assets. Um, a quarter of revenue is about 2. 6 billion. I think we need about 2. 2 billion to really feel safe and comfortable that we're covering the growth. Uh, not just the cost of putting products on the shelf, but just the overall, the overall complex that's requiring the compliance costs and marketing costs and trading costs that are all necessary to have a product on the shelf.

Next, please. So, the earnings per share, as you see, uh, made 9 cents, uh, was flocked the last quarter. Next, please.

So, we're very excited about an April 24th expansion of global investment opportunities with the TRIP ETF [00:25:00] listed on the London Stock Exchange. Uh, the merger increased our assets by 300%. Uh, provide the critical mass to expedite growth. Uh, it's our innovative approach using smart beta 2. 0 investing, which really comes from a quantum mental approach to investing.

Um, and I mentioned earlier that expanded the cruise lines in the diversity of the product. Next, please. So looking at a macro stepping back from a, from a micro analysis of grow, and then where is the landscape where we're positioned for the vision. Um, this is looking at the North America and Europe continues to be launching thematic ETFs.

We've always been a thematic company. Uh, we are known originally for gold, still gold, uh, which is a thematic, uh, investment. Uh, but what this is visual showing you that the growth in thematic, uh, ETFs remains robust. Next, please. The flows remain strong and robust. Next, please. [00:26:00]

So quantumental investment strategy combines cutting edge technology with robust data analysis to help optimize returns and manage risk effective for the shareholders.

And I'm a big believer in our mosaic. From being global investors and applying a data math discipline from macro trends of purchasing manufacturers index of looking at trend analysis and the correlation with commodities that all lend itself to creating the smart beta 2. 0 ETFs next place.

So we have shipping, we have airlines, jets, and we have gold. Now we have trip in London. Next please. Well, some positive things for gold. Gold's been on a tear this quarter. Uh, it's slowed down [00:27:00] recently because rates start to rise in the past since April, as we showed earlier in the presentation, but gold in Japanese yen terms is up.

Uh, as you can see here, 26%, uh, in Chinese, one is up 17 percent and remember Rupee, sorry, Rupee. It's up 16%. Uh, this is a, a secular bull market in gold. So gold is rising in all time highs for. Most countries currencies worldwide. Next, please. And what we see is some of the so the rational reasons bad news is good news for gold interest rate expense on us public debt.

It's 1 trillion dollars. Next, please. Global air passage demand was up 13 percent in Uh, Jess was up 10%. So I think it's still deeply undervalued. If it was to trade at a relative valuation, um, to the other transports, um, then you would say on a basis, it [00:28:00] could double and triple in overall performance. Next, please.

Airline industry expected to soar with record summer travel in 2024. I mean, I'm getting a sticker shock of planning a summer vacations going over to Europe and going down to Africa, that there's just no slowdown in the cost of these price of tickets from a year ago, uh, was taking place. Next, please. So grows investment in hives digital technology.

Uh, it was a 15 million convertible. They've been paying down each quarter. And as you can see here it's 5. 1 million as old, at least and give any additional granularity that's necessary. Next, please. Now, I'm going to turn over to hardworking, uh, Lisa Callicotte, our CFO.

Lisa Callicotte: Thank you, Frank. Good morning.

First, we'll start with our highlights. Our average assets under management are 1. 8 [00:29:00] billion for the quarter ended March 31st, 2024 operating revenues were 2. 6 million and we had a slight, uh, quarter net loss, but it rounded to 0 cents per share on the next slide. We talk about our breakout of earnings. We have operational earnings that consist of our advisory services and we have other earnings, which mainly consists of realized and unrealized gains on our investments.

But both our advisement advisory earnings and our investment gains and losses fluctuate based on stock market forces. The next few slides give some more detail of our operations for the quarter ending March 31st, 2024. On this slide, you can see our operating revenues are 2. 6 million for the quarter.

It's a decrease of a million or 28 percent from the 3. 6 million in the same quarter last year. And the decrease is primarily due to decreases in assets under management, especially in our JET CTF. [00:30:00] Operating expenses for the current quarter were 3, 000, 000. This is an increase of 6%, primarily due to an increase in general and administrative expenses of 256, 000 or 17%.

Primarily due to high fund expenses as discussed. I'm going to talk a little bit about our mutual fund performance fees and our merger costs by Frank, because these related to proxy causes for the elimination of our equity mutual fund performance fees, and our merger costs related to our European music's, but both of these initiatives are investment in future revenue, removal of the performance fees will cause less volatility in our mutual fund advisory fees, and the fees will be more consistent with other mutual funds.

And our European U6 merger increased our assets approximately 18 million, which is over 300%. And our fee increased from 65 beeps to 69 beeps. The G and A expense increase was somewhat offset by a decrease in [00:31:00] employee compensation and benefits of 55, 000. On the next slide, you can see our operating loss for the quarter was 488, 000 or an unfavorable change of 1.

2Million compared to the same period for 2023. Other income decreased 688, 000 compared to prior year, mainly due to net realized and unrealized losses on equity securities of 231, 000 in the current period, compared to realized and unrealized gains in equity securities of 270, 000 in the same quarter in prior year.

So this is an unfavorable change about a half a million dollars. And there was also a decrease in realized gains on debt securities of 127, 000 compared to prior year. So though this is a decrease from prior year, we still had positive net other income for the quarter net loss after taxes for the quarter is 35, 000 or 0 cents per share [00:32:00] on the next slide.

We see that we still have a strong balance sheet. It includes high levels of cash and securities. The following slide is, um, some more information about assets and then we can see on the next slide that we still have no long term debt and the next slide helps see that we have a network capital of 38. 6 million.

Which increased from 1. 2 million or 3 percent since June 2023, and we have a current ratio of 17. 5 to 1. Now, I'd like to turn it over to Holly to discuss marketing and distribution.

Holly Schoenfeldt: Thank you, Lisa. All right on the 1st slide in my section, I just want to briefly point out some of the upcoming events that us global will be attending or speaking at.

So the first is the wealth management edge conference. Uh, it's an ETF focused event happening in Florida just next week, actually. So our head [00:33:00] trader, our business consultant, and myself will all be in attendance. And we would love to meet you there. If you'll be attending, we also have some free advisor passes.

Um, that we can give out. So if you want one of those, just email me at info at us funds. com. The other event listed here in June is one that both Frank and Ralph Aldis will be in attendance. It's the mining investment event of the North happening in Quebec City. This is a premier conference focused on the gold space.

And Frank will be giving a keynote there and also moderating a panel. In addition, both Frank and Ralph will be doing 1 on 1 meetings with various companies, many of which we hold in our funds. So, on the next slide, I want to quickly point out that our website. Traffic during the quarter ended March 31st was over half a million visitors from around the world to us funds.

com. Many were repeat visitors, but there were even more new visitors, many of which [00:34:00] came to read the award winning Frank talk blog or sign up for the investor alert newsletter, which we continue to see growth in both. Now, on the next slide, don't forget that our educational content does not only come in the form of the frank talk blog or the investor alert newsletter.

We love educating our shareholders through video content as well. So make sure that you're subscribed to our YouTube channel to get video updates on everything from gold to airlines and luxury goods. Lastly, on the next slide, as we wrap up today's presentation, I want to remind everyone that we share a majority of our new content as well as any announcements about upcoming events across all of our social media platforms, um, which also continue to grow.

So, I encourage you all to follow us on these platforms if you're not already, just so you're up to date with what's going on with grow our funds and just broader market insights. And then this concludes today's [00:35:00] presentation, and I just want to say as a reminder to our audience, if you have any questions, you can email those into info at U.

S. funds dot com. And we will gladly follow up with you to get anything clarified. Thanks so much for tuning in today.

Good morning, everyone. Thank you for joining us today for our webcast announcing U. S. Global Investors results for quarter ended March 31st, 2024. I'm Holly Schoenfeldt. As you can see on slide number two, the presenters for today's program are Frank Holmes, U. S. Global Investors CEO and Chief Investment Officer, Lisa Calicott, Chief Financial Officer, and myself, Holly Schoenfeldt, Director of Marketing.

Now let's move to slide number three. This is forward looking statements. So during this webcast, we may make forward looking statements about our relative business [00:36:00] outlook. Any forward looking statements and all other statements made during this webcast that don't pertain to historical facts are subject to risks and uncertainties that may materially affect actual results.

Please refer to our press release and the corresponding Form 10 Q filing for more detail on factors that could cause actual results to differ materially from any described today in forward looking statements. Any such statements are made as of today, and U. S. Global accepts no obligation to update them in the future.

On the next slide, as always, we would love to offer anyone tuned in today one of our JETS, GOAU, or C HATs. In addition, we do have JETS luggage tags available. All you have to do is send us an email with your physical mailing address to info at us funds dot com. And don't forget the GOAU. And the GOAU hats.

Yes. All right. So on this slide, I want [00:37:00] to quickly review our company. U. S. Global Investors is an innovative investment manager with vast experience in global markets and specialized sectors. It was originally founded as an investment club, becoming a registered investment advisor in 1968. The company has a long standing history of global investing and launching first of their kind investment products, including the first no load gold fund.

We are well known for expertise in gold and precious metals, natural resources, Airlines and luxury goods. And now on the next slide, this is where I want to hand the presentation over to CEO Frank Holmes to review what we believe is one of the most helpful and also one of the most telling visuals when it comes to investing, not only for grow, but for any major asset class.

Frank. Thank you, Holly. And thank you all the shareholders and Lisa for helping, uh, the marketing team put this presentation together. Um, [00:38:00] and yes, the DNA volatility is very important because it tries to identify that and relate that every asset class has its own unique volatility, uh, and often it's more volatile, the more emergent or a new business is coming into the forefront, and if it's not in one of the big indexes, uh, Tesla, as you can see here, uh, Used to have a daily volatility of 6%.

Frank Holmes: It's now 3 percent because it's gone into the S& P 500. And that's what happens over time. Uh, and, and so anyone that goes and buys, uh, grow has to expect, it's a non event for 70 percent of the time to go up or down 2 percent in a day and over a 10 day period to go plus or minus 5%. That's very common with micro cap stocks.

And And it's very common with grow. I am going to walk through the presentation to try to help you embrace and understand what drives the direction often, uh, for grow stock price. Next, please. [00:39:00] I want to thank, uh, uh, all the fund investment advisors. Uh, most of these, uh, investment advisors are index, um, except for a parent that is a, um, uh, an active micro cap fund manager.

And I believe that the same thing with Canon wealth and thank you for being a shareholders. Next, please. I own approximately 18 percent of the company and

I have 99 percent of the voting control, which is to be in compliance with 40 Act rules for an investment advisor. Without going into great detail on the complexity of it, but basically, uh, all the covenants, everything's aligned with the all shareholders.

Next, please. The company has been paying a monthly dividend since 2007. The current yield, uh, and the share price at $2 and 69 cents, it's 3.35. Uh, and, uh, the board, uh, on a regular basis, reviews to approve the, [00:40:00] uh, the, the dividend. Next, please. Our vision is to create thematic products that are sustainable.

Uh, that's always proved to be difficult. I can, I don't know why, but knowing for gold, gold goes through these big cycles. Um, and, uh, the last big gold cycle from 2001 to 2007. Our assets went from basically 500 million up to 7 billion. Uh, and it's interesting to see that those assets like Eastern Europe, which were very early, went from 4 million to over a billion dollars.

And the same thing, um, a China fund, uh, from the, from the early nineties, uh, it, it exploded in in assets. But the anti the whole anti Eastern Europe and concern over Russia is basically really created a difficulty for investors to want to take that risk. I think a lot of American investors would rather take the risk in a domestic technology [00:41:00] stock than to go and be in Eastern Europe or anything that's in China.

So those two funds, which were one time big product funds and very profitable funds have been shut down and it has nothing to do with the overall fund performance. It is a combination of mutual funds being no longer the appealing asset class. It's been directed towards ETFs where the growth is. And I'm going to walk through what the specialties in the, in the, in the ETF space, where we see the growth of maintaining, um, and, and there's, and we go through these cycles.

So LifeSupport managing the expectations for a new product launch. We believe that, um, the basic cost for audits and legal is about a quarter million a year. It's excluding compliance and marketing and trading, et cetera, but just to put a product on the shelf and you have to take about four years Uh, to get the brand, uh, so that you get up to the critical mass, [00:42:00] you need about 50 million at 60 basis points to cover your, your basic on the shelf costs, uh, to cover all your costs.

You need about 100 million dollars. So that's just something for we do understand and we do have an idea that when we launch a product that we're willing to support and back it. I mentioned to you a few minutes ago that we did shut down our Eastern European fund and our China region fund. And what we learn in that whole journey is that the shipping cargo shipping.

In particular, uh, ships on the ocean sea, they capture about 80 percent of commodity flows from emerging countries to manufacturing centers. And then that ended product and being shipped back to developing countries or developed countries from developing countries. And, and you can play, uh, through the shipping and cargo, uh, airlines and through cargo ships.

the growth and emerging markets. You don't have to [00:43:00] go and have a thematic Japanese fund. You don't have to go to China. Uh, it all, any products that are coming from Japan over to America, they're going to come by ship or plane. So that has been our focus and strategy. Of replacing those, uh, with, uh, uh, our sea to sky, uh, ETF, um, strategically, we continue to buy back the stock, um, and manage them.

I'll talk more in detail in a few minutes and then manage to preserve our cash for future growth opportunities and market corrections and emanate activity to grow our fund assets. Uh, we're always looking at opportunities for growth. Next, please. So why back buyback shares? So, uh, the company believes that stock is undervalued, deeply undervalued.

And therefore buys back shares of grow on when the price is flat or down from the previous day's trading. Uh, we have a disciplined, orderly fashion of buying back stock. The lower it goes, the more we buy back. And that's just how [00:44:00] simple it is. in that model. And Warren Buffett highlights the value proposition of buying back one's own stock and as a value decreted prices.

So doing so, Buffett says, benefits all shareholders, not just the biggest holders. And we agree. Next please. So the S& P 500 Goldman Sachs says the U. S. stock buybacks could jump to all time high to 1. 1 trillion, even with the tax that was imposed by the Biden administration. And interesting enough, um, the huge, huge purchase that was announced this past week by Apple, um, which ignited, uh, the technology stocks, uh, from the billions of dollars a month they throw off in free cashflow.

And so I think it's just prudent in our strategy, what we're doing. Next please. The current share repurchase program for the quarter ended March 31st, 2024. The company repurchased a total of 211, 282 class A [00:45:00] shares using approximately 577, 000. Next please. So this is a sort of a value, um, I don't know what happened with the, the numbers weren't put in there on this visual.

We'll get them corrected. But, uh, Used to have Class A, the float used to be 15 million shares, and I can see over time, it's slowly contracting, um, that the Class A shares are standing at 11. 8 million, and the shareholder float is approximately 11. 2. Next, please. So the concept of having a dividend and buying back stock, um, maybe in favor, create an ETF that became quite successful on focusing on those companies that had three things, um, paying down their debt.

Free cash flow to increase the dividend or buy back the stock and those stocks outperform, uh, the S and P 500 was his thesis. And, um, and so we, we do find that it's [00:46:00] a, it's a, it's a very balanced way of how we're looking at the capital structure of capital markets and how we're positioned capital markets.

Next, please. So the shareholder yield of formula is cash dividends net repurchase and net debt reduction divided by market cap. Next please. So gross total shareholder yield is approximately 8. 32 percent. Now this is relevant when you compare it to the next visual which is the five year government bond.

So often in dividend growth monitor quant models, uh, it's risk free To go buy a five-year government bond today and get a 4.21% yield. And so why would someone buy, grow? Um, and you're get the yield, total shareholder yield is 8.32 and that's because of the volatility and what the risk is. So risk-free is 4.21.

Anything above that is the premium. So quite often it's, it, the premium's only about [00:47:00] 50%. So it appears to me that grows is undervalued on this model. Um, but the micro caps as a whole have seen net redemptions out of the funds, uh, many of the active funds and the small cap micro cap have found it difficult and fun flows.

Uh, and in particular, when the rules changed, uh, three years ago, come June, uh, on. On what's deemed as being a liquid stock, uh, position that used to only be for bonds and, and, uh, it's, and that morphed over the regulatory world to include equities. And that has had a negative impact, um, because trustees and, and, uh, of these boards, uh, are always reluctant to have to, uh, determine what is illiquid.

And so why even own them? So you've seen, um, a bias towards Uh, even in the gold space, which we have a tremendous expertise and that they'll buy a stock because of liquidity, [00:48:00] not because it pays a higher yield, or it offers better value, uh, and and and that sort of morphing up a regulatory world, but longer term, it's always been proven, uh, on data analysis when you go back 20 and 30 years.

Uh, the total shareholder yield is a great discipline if you're a long term investor to look at picking copy companies next place So this is a visual that you would do as a fund manager and you're looking at Rising yields are weighted on microcap stocks and what you can see In 2023 in the green is the five year government bond yield was rising and it ran up to almost 5 percent from three and a half percent.

And you saw that the microcap stocks start to sell off with that in particular last year from August to October. And then we had the 50 year, the sorry, the 50 day moving average for the yields. Uh, on the, on [00:49:00] the five year government bond, it fell below. And as soon as it fell below, all of a sudden, micro cap stocks are rising.

Uh, this is the trade off. Each month, insurance companies and other asset allocators have fund flows coming into them, and they do this trade Risk free, uh, uh, they go to five year government and otherwise you start going to buy stocks and you can see this rotation. And then since April, uh, we've seen where the yields start to rise again and micro cap stocks start to sell off.

It's just, I think it's really important we are a micro cap stock as a shareholder, uh, if you're an active fund manager, that this over any quarter, any 12 month rolling period can have an impact. on the price movement and direction of the stock. But more important is the growth in revenue and the growth in revenue is highly correlated to the growth in assets.

Next please. And this is another sort of visual of taking a look at a different [00:50:00] time period. This is micro cap, uh, index, uh, the Russell micro cap index versus the big cap S and P 500 versus grow stock. So you can see the S and P's faro performed the magnificent 7 big tech stocks are faro perform the S and P 500.

Uh, the Russell micro cap index is up 20 percent and grows up 11 percent When you take a look over 12 month period. Next, please. When we look at three years, you can see that grows greatly underperformed. And that's that's I have some wonderful shareholders that caught up and really drill me on. What are we doing?

What's the new products? What are the assets? How are we managing our cap structure, et cetera? Um, and, uh, some are very useful and respect that they provide insight. They question, especially Bruce Newberg. Uh, he's a, it's a wonderful, thoughtful, long term shareholder that's come in and [00:51:00] gone in and out of the, of the company.

And, and so when we look at three years, uh, you can see we've underperformed on the Russell micro cap. It is also underperformed versus the S& P, which is up 38%. It's a big difference between the Russell micro cap and the big cap liquid stocks in that overall performance. So why has Rule been the sort of laggard.

Next, please. Well, our understanding is that when we go and look at the Russell microcap and we look at bro over a five year period. Well, we had a spectacular run. Uh, where we ran up to a 12 and and, uh, you can see here. This is what? 191 percent price action. Uh, since since over the five year period and we've outperformed and we've outperformed the Russell Microcap, which is really hard to believe, but if you had bought it five years ago, uh, you're still doing better own and grow, uh, had you been able to [00:52:00] maintain and had you been able to so shrewdly get out at the very top, then you're a very good trader or trading of the position.

I myself have not been a trader out of the position as I continue to try to build wealth underneath, uh, the hood of the company. Next, please. Now this is more granular, and this is trying to explain to you as an investor. What often drives the stock movement and we can see when the stock had its big run and peak.

Uh, Hive technology, which we were owning up close to a dollar, uh, for every share, a share in Hive. It had this spectacular root move Hive did. And this also had a big impact on the movement of Grow, uh, because of mark to market. And we also had this huge asset growth during COVID where Hive went from, not Hive, but uh, JETS ETF went from 40 million.

up to in September, about 4 billion in assets. So we had [00:53:00] this incredible run where Jets was growing, Hive was exploding, Bitcoin was exploding, and that moved our stock. Uh, that's our stock seems to move on the anticipation of big growth and revenue. It also corrects. So one then would say, okay, well, let's look at those five years.

Why, why are you down from that peak? Uh, whereas Jets is not down as much. Well, jets has had redemptions during that period. Predominantly international investors that put an over a billion five into the ETF have seemed to redeemed. Um, we had a lot of money out of Israel, uh, Israeli insurance companies, and as we all know, the challenge that Israel has been going through, but they started redeeming before the war in Gaza.

Um, a in, in sort of how they were looking at the risk of a recession. And we've now been living with over 500 days, the longest time period of inverted yield curve. And historically with inverted yield curve, [00:54:00] microcap stocks are challenged. Uh, and, and I think that this is another factor and the concern of inverted yield curve is a big recession and therefore the airlines will take it on the chin.

But in fact, the redemptions have been there, but the airlines continue to make buckets of money. They continue to squeeze out any type of of competition. Um, they have this. I'm going to walk you through in a few minutes. There's no discounts in booking a year out from now, like there would be in a normal fears of a recessionary year.

Uh, you would see in the forward curve that there'd be a big dip in pricing of buying tickets. That's not taking place. So the airlines remain, as a GARP investor, deeply undervalued and have more on the upside, uh, on a relative basis for transportation. And the supply side of pilots and the supply side of AirPath routes, et cetera, remain very, very tight.

And therefore, there's a big pricing power that the airlines have hive. [00:55:00] We had converted into a convertible debenture pretty well at the, at the, at the peak when we take a look at that period when hive had that big run and and that's done well and building cash in our balance sheet. Um, uh, but the movement of, of, of U.

S. global day to day or mark to mark on a quarterly basis has really changed with the, um, as you can see with the structure of the note. Next, please. So when we look at our competitors, WisdomTree is 100 percent ETS, Invesco, 40% of their assets are the QQQ, and they also have mutual funds and private assets, et cetera.

And US Global is about 86% of our operating revenue comes from ATFs. So we're not a hundred percent. And so I think it's on a relative basis, important to compare. You can see from price to book, uh, US Global is, is, uh, inexpensive. The [00:56:00] Wisdom Tree raises at the highest price to book, uh, QQ. Q trace at a lower value, but I think that we're probably lower than QQQ.

Because of the intrinsic value of the real estate, and then I get shareholders calling up sell a real estate, lease it back and buy back the stock. That's just a short term fix. It's still, it's still cheaper to maintain this building and the space that we have and the opportunity for growth than it is to go and lease across the street for the amount of space we have.

So I do track that as a, as a money manager of the allocation of capital, but so far, uh, it's been more attractive. It's not a skyscraper. It's not downtown Toronto or LA where the real estate of the reach of fallen 85%. Uh, it has a different type of composition, uh, as a, as a piece of real estate. It's not subject to, uh, the big building problem that's happening, uh, since COVID.

Um, so I, I [00:57:00] remain fairly, feeling fairly safe, uh, on that as an undervalued asset. I do know trying to buy land along two and a half acres along the interstate highway system, which we are at the first loop around the city of San Antonio and the interstate highway system, which goes from Jacksonville, Florida, through New Orleans, through Houston, through San Antonio.

Uh, all the way to L. A. Um, is a valuable piece of land. So I think that over time, it's just one of those, uh, good things to tip. So to hold as a, as a long term asset, um, on a price to cashflow, you can see we're expensive, uh, compared to wisdom tree and, um, uh, Invesco, uh, on a dividend yield. We're, we're attractive, uh, Invesco is, is higher, but on a total yield, we're more attractive on a pre tax margin.

Uh, we're more attractive than, uh, Invesco, um, WisdomTree's assets, pre tax [00:58:00] margins have improved and the return on their assets have improved. But we are still sort of interesting enough, uh, in the, in the middle tier, as you can see here is, is not being, uh, a deeply undervalued and not overvalued relative to the other group.

Thank you next place. But I would rest you that I believe that we're deeply undervalued and that's why on a steady basis, we continue to buy back a stock. I look at the fiscal year 2024. Um, the company remains profitable despite challenging macro market conditions. The company continues to buy back stock.

The company has a strong balance sheet, which includes cash and other investments. But for this past quarter from December to, to March, uh, if we were basically flat, Lisa, we'll go into the, uh, the details from an operating point of view. Uh, we lost money and that predominantly a lot of has to deal with, uh, the acquisition of assets in Europe, uh, the expansion of, of applying our quantum mental model.[00:59:00]

Uh, in London, which we're very excited about, uh, of, of converting jets into trip and expanding, uh, the trip model, uh, to not just have airlines, but also shipping, which is shipping. Um, uh, cruise lines have been one of those great stellar performers in the IBD investor business daily universe. Uh, and those talks have been on fire, uh, over the past couple of years.

So they will now start to show up in the trip model. Um, and so we're excited that we've got that fund up to critical mass, uh, and hopefully to turn profitable here in the next six months. Next, please.

So we have about 1. 8 billion in assets. Um, a quarter of revenue is about 2. 6 billion. I think we need about 2. 2 billion to really feel safe and comfortable that we're covering the growth. Uh, not just the cost of putting [01:00:00] products on the shelf, but just the overall, the overall complex that's requiring the compliance costs and marketing costs and trading costs that are all necessary to have a product on the shelf.

Next, please. So, the earnings per share, as you see, uh, made 9 cents, uh, was flocked the last quarter. Next, please.

So, we're very excited about an April 24th expansion of global investment opportunities with the TRIP ETF listed on the London Stock Exchange. Uh, the merger increased our assets by 300%. Uh, provide the critical mass to expedite growth. Uh, it's our innovative approach using smart beta 2. 0 investing, which really comes from a quantum mental approach to investing.

Um, and I mentioned earlier that expanded the cruise lines in the diversity of the product. Next, please. So looking at a macro stepping back from a, from a micro analysis of grow, and then where is the [01:01:00] landscape where we're positioned for the vision. Um, this is looking at the North America and Europe continues to be launching thematic ETFs.

We've always been a thematic company. Uh, we are known originally for gold, still gold, uh, which is a thematic, uh, investment. Uh, but what this is visual showing you that the growth in thematic, uh, ETFs remains robust. Next, please. The flows remain strong and robust. Next, please.

So quantum mental investment strategy combines cutting edge technology with robust data analysis to help optimize returns and manage risk effective for the shareholders. You can go to investopedia and give you another more broader, deeper description of what it means. But smart beta 2. 0, we were pioneers there.

And I'm a big believer in our mosaic. From being global investors and applying a data math discipline from macro [01:02:00] trends of purchasing manufacturers index of looking at trend analysis and the correlation with commodities that all lend itself to creating the smart beta 2. 0 ETFs next place.

So we have shipping, we have airlines, jets, and we have gold. Now we have trip in London. Next please. Well, some positive things for gold. Gold's been on a tear this quarter. Uh, it's slowed down recently because rates start to rise in the past since April, as we showed earlier in the presentation, but gold in Japanese yen terms is up.

Uh, as you can see here, 26%, uh, in Chinese, one is up 17 percent and remember Rupee, sorry, Rupee. It's up 16%. Uh, this is a, a secular bull market in gold. So gold is rising in all time highs for. Most countries currencies worldwide. Next, please. And what we see is some of the so [01:03:00] the rational reasons bad news is good news for gold interest rate expense on us public debt.

It's 1 trillion dollars. Next, please. Global air passage demand was up 13 percent in Uh, Jess was up 10%. So I think it's still deeply undervalued. If it was to trade at a relative valuation, um, to the other transports, um, then you would say on a basis, it could double and triple in overall performance. Next, please.

Airline industry expected to soar with record summer travel in 2024. I mean, I'm getting a sticker shock of planning a summer vacations going over to Europe and going down to Africa, that there's just no slowdown in the cost of these price of tickets from a year ago, uh, was taking place. Next, please. So grows investment in hives digital technology.[01:04:00]

Uh, it was a 15 million convertible. They've been paying down each quarter. And as you can see here that it's 5. 1 million as old, at least and give any additional granularity that's necessary. Next, please. Now, I'm going to turn over to hardworking, uh, Lisa Calicut, our CFO. Thank you, Frank. Good morning.

Lisa Callicotte: First, we'll start with our highlights. Our average assets under management are 1. 8 billion for the quarter ended March 31st, 2024 operating revenues were 2. 6 million and we had a slight, uh, quarter net loss, but it rounded to 0 cents per share on the next slide. We talk about our breakout of earnings. We have operational earnings that consist of our advisory services and we have other earnings, which mainly consists of realized and unrealized gains on our investments.

But both our advisement advisory earnings and our investment gains and [01:05:00] losses fluctuate based on stock market forces. The next few slides give some more detail of our operations for the quarter ending March 31st, 2024. On this slide, you can see our operating revenues are 2. 6 million for the quarter.

It's a decrease of a million or 28 percent from the 3. 6 million in the same quarter last year. And the decrease is primarily due to decreases in assets under management, especially in our JET CTF. Operating expenses for the current quarter were 3, 000, 000. This is an increase of 6%, primarily due to an increase in general and administrative expenses of 256, 000 or 17%.

Primarily due to high fund expenses as discussed. I'm going to talk a little bit about our mutual fund performance fees and our merger costs by Frank, because these related to proxy causes for the elimination of our equity mutual fund performance fees, and our merger costs related to our European music's, but both of these initiatives are [01:06:00] investment in future revenue, removal of the performance fees will cause less volatility in our mutual fund advisory fees, and the fees will be more consistent with other mutual funds.

And our European U6 merger increased our assets approximately 18 million, which is over 300%. And our fee increased from 65 beeps to 69 beeps. The G and A expense increase was somewhat offset by a decrease in employee compensation and benefits of 55, 000. On the next slide, you can see our operating loss for the quarter was 488, 000 or an unfavorable change of 1.

2Million compared to the same period for 2023. Other income decreased 688, 000 compared to prior year, mainly due to net realized and unrealized losses on equity securities of 231, 000 in the current period, [01:07:00] compared to realized and unrealized gains in equity securities of 270, 000 in the same quarter in prior year.

So this is an unfavorable change about a half a million dollars. And there was also a decrease in realized gains on debt securities of 127, 000 compared to prior year. So though this is a decrease from prior year, we still had positive net other income for the quarter net loss after taxes for the quarter is 35, 000 or 0 cents per share on the next slide.

We see that we still have a strong balance sheet. It includes high levels of cash and securities. The following slide is, um, some more information about assets and then we can see on the next slide that we still have no long term debt and the next slide helps see that we have a network capital of 38. 6 million.

Which increased from 1. 2 million or 3 percent since June 2023, and we have a current [01:08:00] ratio of 17. 5 to 1. Now, I'd like to turn it over to Holly to discuss marketing and distribution. Thank you, Lisa. All right on the 1st slide in my section, I just want to briefly point out some of the upcoming events that us global will be attending or speaking at.

Holly Schoenfeldt: So the first is the wealth management edge conference. Uh, it's an ETF focused event happening in Florida just next week, actually. So our head trader, our business consultant, and myself will all be in attendance. And we would love to meet you there. If you'll be attending, we also have some free advisor passes.

Um, that we can give out. So if you want one of those, just email me at info at us funds. com. The other event listed here in June is one that both Frank and Ralph Aldis will be in attendance. It's the mining investment event of the North happening in Quebec City. This is a premier conference focused on the gold space.[01:09:00]

And Frank will be giving a keynote there and also moderating a panel. In addition, both Frank and Ralph will be doing 1 on 1 meetings with various companies, many of which we hold in our funds. So, on the next slide, I want to quickly point out that our website. Traffic during the quarter ended March 31st was over half a million visitors from around the world to us funds.

com. Many were repeat visitors, but there were even more new visitors, many of which came to read the award winning Frank talk blog or sign up for the investor alert newsletter, which we continue to see growth in both. Now, on the next slide, don't forget that our educational content does not only come in the form of the frank talk blog or the investor alert newsletter.

We love educating our shareholders through video content as well. So make sure that you're subscribed to our YouTube channel to get video updates on everything from gold to airlines and luxury goods. [01:10:00] Lastly, on the next slide, as we wrap up today's presentation, I want to remind everyone that we share a majority of our new content as well as any announcements about upcoming events across all of our social media platforms, um, which also continue to grow.

So, I encourage you all to follow us on these platforms if you're not already, just so you're up to date with what's going on with grow our funds and just broader market insights. And then this concludes today's presentation, and I just want to say as a reminder to our audience, if you have any questions, you can email those into info at U.

S. funds dot com. And we will gladly follow up with you to get anything clarified. Thanks so much for tuning in today.