



# Emerging Europe Fund (EUROX)



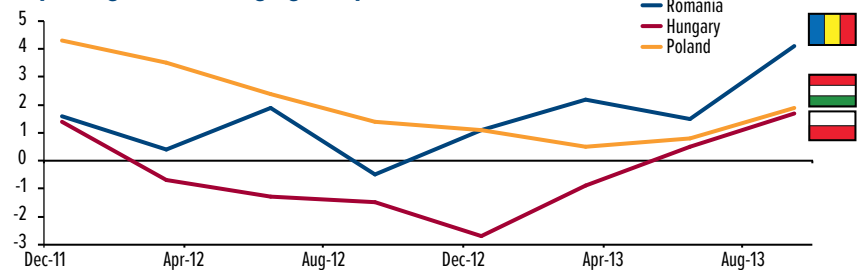
## Take a Closer Look at Emerging Europe

Is your portfolio poised to take advantage of the growth opportunity within this region? Many of the countries of emerging Europe have made great strides in improving their living standards, GDP, environmental and regulatory standards, and infrastructure. They are well on their way to meeting the goal of joining the European Union, with its shared currency, governance, and stable markets.

### Why Emerging Europe?

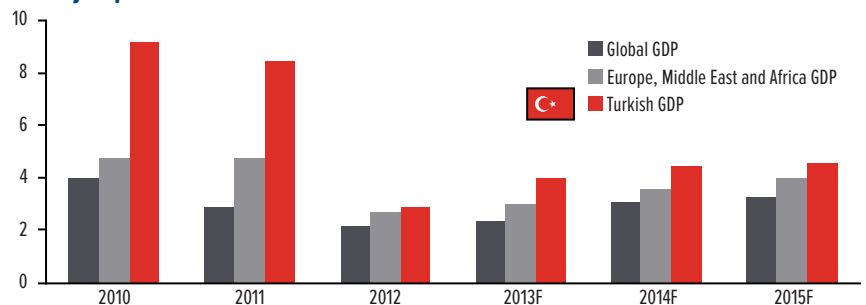
- ➔ There is currently a convergence of European countries, as the emerging market countries are tied economically to established countries. There is also a growing middle class with increased spending in emerging Europe as well as lower debt levels.
- ➔ Countries in emerging Europe are poised for growth. Turkey is one country we focus on, with its young, growing demographic, entrepreneurial mindset, and government policy geared towards achieving investment grade.
- ➔ Russian companies are some of the cheapest in the world, with trades at less than six times earnings. Russia remains in a comfortable fiscal position as negative sentiment towards the country has been priced into stocks.

### Improving GDP in Emerging European Countries



Source: Bloomberg, U.S. Global Investors

### Turkey Expected to Grow Faster than EMEA and World

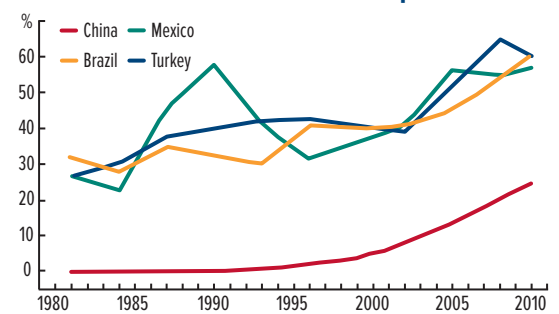


Source: Wood & Company, U.S. Global Investors

### Turkey's Growing Middle Class

Growing middle class wealth in emerging markets countries, such as Turkey, leads to shifts in greater spending, increasing consumption of luxury goods, and higher expectations. Political changes are often an inevitable part of such economic change. According to research from BCA, "Growing middle classes are increasingly becoming a politically powerful constituency in select EM economies, one that is vociferously demanding improvements in the quality of governance first, and economically painful reforms (potentially) second." BCA continues by saying middle class voters will push for improved governance, whether that is in schools, city infrastructure or fighting corruption.

### Middle Class as a Percent of Total Population



Source: World Bank, BCA Research, U.S. Global Investors  
Middle class refers to the population with a daily consumption from \$8 to \$100.





Emerging European countries offer attractive valuation and better growth potential than their established partners in Western Europe.

## How Emerging Europe Fits Into Your Portfolio

Investment advisors and experts recommend that investors have exposure to emerging markets in their portfolios, as these countries are often engines of growth for the global economy. Urbanization, rising incomes and natural resources wealth are powering the emerging world to new levels of capitalism. The Emerging Europe Fund offers growth potential for investors who can tolerate a little extra volatility in a diversified portfolio.

## What Is Our Investment Process?

At U.S. Global Investors, the portfolio managers for our Emerging Europe Fund use the following factors in selecting stocks:

- **Global Factors.** Emerging European countries have established trade exports to established Europe and they are becoming part of the supply chain of Western European manufacturing. Additionally, Chinese demand for resources is a boon for resource-rich Russia. Our team also analyzes global macro indicators such as GDP, purchasing managers' index (PMI), inflation and government policy in the selection process.
- **Fundamental Stock Selection Factors.** Relative value, long-term growth stories, a preference for stocks that pay dividends and corporate governance are all important factors we consider in the decision to include a stock in the portfolio.
- **Sector-Related Factors.** Among energy and natural resources, consumer staples and discretionary, as well as banks and financials, we know it is vital to monitor a variety of growth factors in each sector. This includes growth in production, cash flow and top line revenue, along with margin expansion and relative valuation.

*Please consider carefully a fund's investment objectives, risks, charges and expenses. For this and other important information, obtain a fund prospectus by visiting [www.usfunds.com](http://www.usfunds.com) or by calling 1-800-US-FUNDS (1-800-873-8637). Read it carefully before investing. Foreside Fund Services, LLC, Distributor. U.S. Global Investors is the investment adviser.*

Foreign and emerging market investing involves special risks such as currency fluctuation and less public disclosure, as well as economic and political risk. By investing in a specific geographic region, a regional fund's returns and share price may be more volatile than those of a less concentrated portfolio. The Emerging Europe Fund invests more than 25% 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.

Diversification does not protect an investor from market risks and does not assure a profit. The Purchasing Manager's Index is an indicator of the economic health of the manufacturing sector. The PMI index is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment. 14-060

## Why Invest in the U.S. Global Investors Emerging Europe Fund?

The U.S. Global Investors Emerging Europe Fund allows you to own a portfolio of stocks focusing on emerging European countries including the Czech Republic, Hungary, Poland, Russia and Turkey. We are active money managers with a hands-on approach and long-term experience investing in the region. Our portfolio managers provide regional expertise, with native ties in Azerbaijan and fluency in the Russian language.

## Our Fund:

**Emerging Europe Fund (EUROX)** focuses on a region that shares the same continent as the established economies of Western Europe, but has more in common with other emerging markets around the world. The fund pursues opportunities tied to the economic growth of these countries, as many are making great strides toward meeting the European Union's standards. The Emerging Europe Fund seeks long-term growth of capital by investing in the Eastern European region.

➔ Visit us at [www.usfunds.com](http://www.usfunds.com) to read the latest insights from our portfolio management team about emerging Europe. While you are there, subscribe to our free, weekly Investor Alert electronic newsletter at [www.usfunds.com/subscribe](http://www.usfunds.com/subscribe).



### About the Cover:

The Suleymaniye Mosque is a spectacular landmark in the city of Istanbul, Turkey, sitting atop the highest hill in the city. The mosque, which was commissioned by the greatest of all Ottoman sultans, took seven years to construct and was recently restored in 2008.

Among the portions of the complex used for worship are several bath houses, a public kitchen and even a hospital.

## Did You Know?

- The Czech Republic was the first of the former Soviet countries to receive an investment grade rating and ranks as the top destination for foreign direct investment in Central Europe.
- Russia is one of the top producers and consumers of electric power in the world, with more than 220 million kilowatts of installed generation capacity.
- Poland is rich in mineral resources including iron, copper and rock salt. The Wieliczka salt mine contains an entire underground town including a café, church and theater.
- Popular team sports in Hungary include football, water polo and handball. Recently, Olympic gold medals have been awarded to Hungarians for swimming and canoeing, and in water polo Hungary has won gold in the last three Olympics.

## U.S. Global's Experience

We have long-term experience investing in emerging Europe, as the fund was established in 1997. Our portfolio managers provide regional expertise, with native ties in Azerbaijan and fluency in the Russian language. We get to know the companies that we invest in, through on-site visits and active management.