GROW 2009 | Annual Report

Table of Contents

Letter from the CEO

Frank Holmes, *Chief Executive Officer and Chief Investment Officer*

Dear Fellow Shareholder,

I'm sure it won't come as a surprise to you to hear that the latest fiscal year was a challenging year for U.S. Global Investors. The market gauntlet left us a little battered and bruised, but conditions improved as the year wore on and we now join you in looking forward to better times ahead.

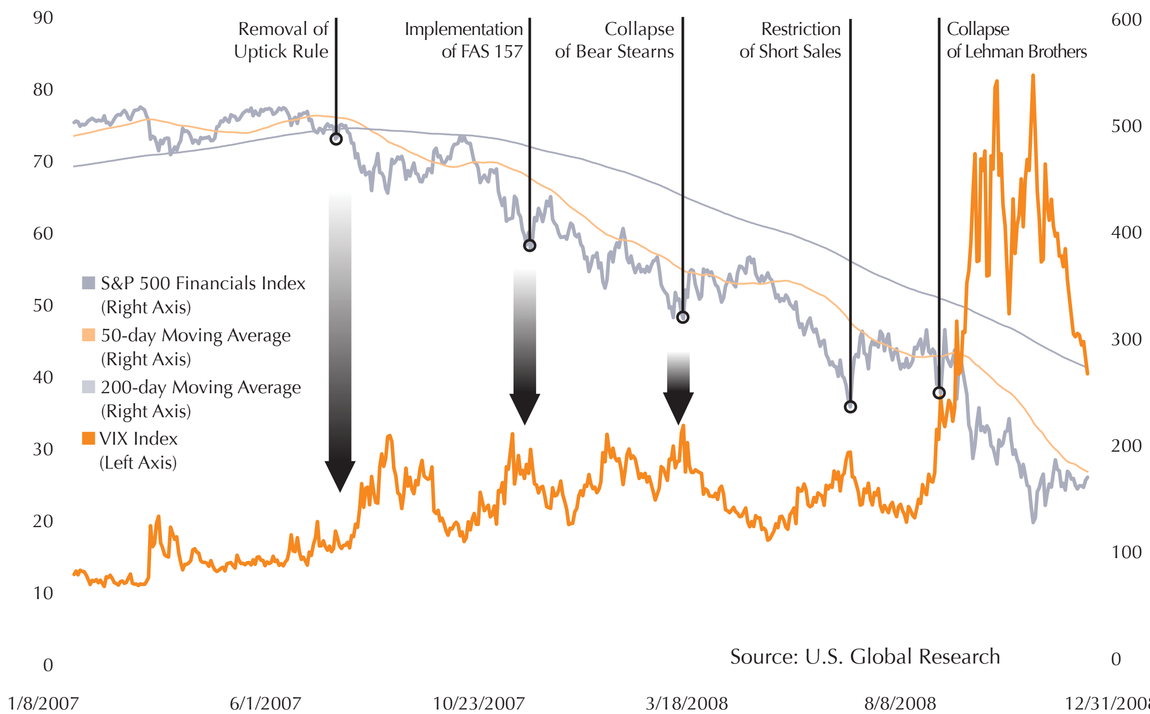
The global credit crisis—primed by the massive issuance of derivative securities and triggered by the collapse of the Lehman Brothers investment bank—took no prisoners within the financial sector. Healthy companies like U.S. Global—solid balance sheet, no debt and holding no toxic derivatives—were treated much in the same fashion as those that borrowed billions of dollars to load up on subprime debt, credit-default swaps and other high-risk securities.

Our fiscal year 2009 can be divided into two parts—nine months of global liquidation due to the banking crisis that accelerated a worldwide recession, followed by three months of healthy rebound in emerging markets and natural resources. The fourth quarter of the fiscal year included a notable rebound in assets that had a positive impact on our earnings from operations and corporate investments. In our final quarter of the fiscal year, revenue was up 30 percent from the third quarter and our net income nearly tripled.

After such a massive global liquidation and its accompanying damage, it will take time to see asset levels return to where they were a year ago. U.S. Global has survived one of the greatest credit crises of the past century in better shape than many other financial companies. Along with our clean balance sheet and strong cash holdings, much of our compensation is aligned with asset levels and performance, and this provides flexibility in our cost structure.

We believe the worst is behind us. Most importantly, we did not have layoffs, as many of our peers did. This is important because our culture remains intact, and this will help our future fund performance.

Significant Events for S&P Financials and the VIX



The chart above plots the performance of the S&P 500 Financial Index alongside the VIX, which measures market volatility, for 2007 and 2008. The general trends are clear to see: the financials declined more than 60 percent over the period, while market volatility dramatically increased. Key events during the two years are marked with red circles.

Event 1—In July 2007, the SEC removed the uptick rule that required any short sale of a stock be done following an uptick in the price of that stock. The S&P financials essentially traded sideways prior to the removal of the uptick requirement, but they fell more than 12 percent in the first month after the rule change and at the same time the VIX nearly doubled.

Event 2—Volatility leaped in mid-November 2007, at the same time that the fair-value accounting rule known as FAS 157 was effective. The S&P financials continued trending down. Citigroup CEO Charles Prince retired under pressure and Merrill Lynch CEO Stanley O'Neal was ousted around this time.

Event 3—In mid-March 2008, Bear Stearns collapsed under the weight of its exposure to mortgage-related derivatives, creating another volatility spike.

Event 4—In mid-July, the SEC restricted short sales of the 19 largest financial companies. This included shares of Fannie Mae and Freddie Mac, both of which had huge exposure to mortgage securities. The beleaguered S&P financials bounced up on the news, while volatility declined.

Event 5—In mid-September, just a few days after the collapse of Lehman Brothers, the SEC temporarily banned short selling of about 1,000 financial stocks. Many of these companies had reported many billions of dollars in FAS 157-related write-offs. Initially, the S&P financials popped up but the longer-term downward trend quickly resumed. Volatility shot up to record levels.

We worked hard to communicate with our GROW and fund shareholders during the market turbulence. Our free Weekly Investor Alert and Weekly Advisor Alert, which together are received by more than 34,000 subscribers, became a valuable tool for educating our shareholders about the factors affecting markets: volatility, the interconnectedness of global markets, the unintended consequences of regulatory decisions and more.

That these market events occurred in tandem with significant regulatory actions was likely not a coincidence. I have no doubt that the elimination of the uptick rule and the implementation of FAS 157 were intended to benefit investors, just as Sarbanes-Oxley was when it was enacted several years ago. And under different circumstances, the impact of these rules may have been less onerous on the financial companies. But with so much balance-sheet leverage for these companies, it turned out to be a recipe for disaster.

Our best call came in mid-March, when we explained to our readers why we thought the market had reached a bottom a few days earlier. Several actions by the Federal Reserve made it clear that the central bank would do what was necessary to kick-start the economy, regulators changed rules on short-selling and fair-value accounting that amplified the distress, and our internal models told us that the markets were in an extremely oversold condition. "We're probably heading for a sustainable rally," we wrote, and we were right—over the next six months the S&P 500 would gain more than 50 percent.

We have also communicated extensively about a number of significant company-specific events that affected U.S. Global during the fiscal year.

In the second fiscal quarter, we took over day-to-day management of U.S. Global's Eastern European Fund and the Global Emerging Markets Fund, both of which had previously been sub-advised by Charlemagne Capital Ltd.

Our experience in managing funds focused on China, global natural resources and global infrastructure has been of benefit in managing the Eastern European and Global Emerging Markets Funds. We have added investment professionals with experience in Eastern Europe and in global markets to help manage those funds.

Also in the second fiscal quarter, U.S. Global ended its advisory relationship with Endeavour Financial Corp. Through a merger process, Endeavour gained the expertise to manage its investments in the natural resources sector, which was the advisory service that U.S. Global had been providing.

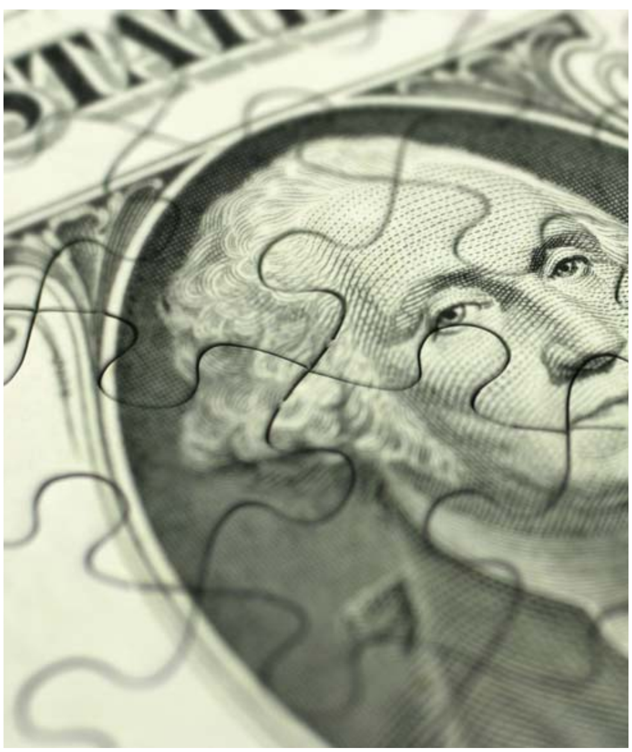
Shareholders in the U.S. Global Investors funds in late 2008 approved a series of proposals related to fund administration, distribution and management that stand to have a significant positive impact on U.S. Global's revenue and profitability as asset levels rise.

Among the items approved was the combination of two Massachusetts business trusts into a single Delaware statutory trust called the U.S. Global Investors Funds. In doing that, we have been able to streamline some operations and eliminate a considerable amount of duplication of effort.

The fund shareholders also approved updates to the management fees on some of our funds, and performance fees were approved by shareholders for our equity funds. We have a results-oriented culture, so having performance fees better aligns the interests of the company with that of the shareholders.

As part of the fund shareholder proxy on management fees, U.S. Global put in place contractual expense caps on our equity funds for a one-year period that ended September 30, 2009. We have replaced the contractual expense caps with voluntary caps on the equity funds set roughly 25 percent higher than the expired contractual caps.

In addition, a new distribution plan was approved that added 12b-1 fees to the five equity funds that did not previously have them. The mutual fund business seems to get more competitive each year, so these fees give us more resources to try to build up our asset base through a stronger sales and marketing effort. Many of U.S. Global Investors' niche investment products have long-term performance records that rank them among the top funds in their respective sectors, and it is important for the company that this story is told well.

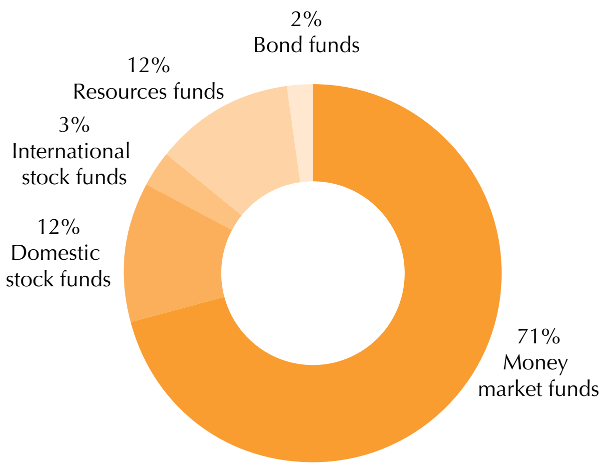


Many of the challenges facing small fund complexes are on the cost side, given that mutual fund families have to adhere to the same regulatory and compliance standards regardless of how much money they manage. The collapse in value of derivative securities and the high-profile scandals involving Bernie Madoff, Allen Stanford and others have created a reform frenzy in Washington, and the likely outcome will be more compliance costs, more audits and more legal expenses for investment managers.

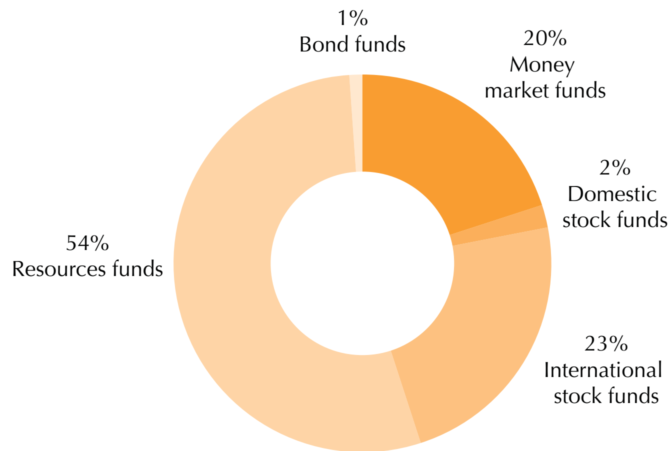
Large fund families are able to spread their expenses across a bigger asset base in much the same way as Wal-Mart can achieve better economies of scale than a small clothing boutique. They can also financially subsidize their smaller funds until these funds can reach higher asset levels and many large mutual fund sponsors also have sizable income sources outside the mutual fund business that enable them to further spread their fixed costs.

The typical shareholder account at U.S. Global is consistently among the smallest in our peer groups. The smaller accounts serve to increase transfer agency costs. More than half of our assets are held in direct accounts, which is a much higher percentage than the industry as a whole. We continue to focus on direct investors because in our experience they are most loyal to our funds.

Asset Base Shift For U.S. Global Investors Funds



Composition of Average AUM FY 1999



Composition of Average AUM in FY 2009

Our tendency toward small accounts in our natural resources funds is enhanced by our investment philosophy. U.S. Global Investors consistently suggests that investors consider a maximum 10 percent portfolio allocation to gold and gold equities, and no more than a 25 percent allocation to natural resources overall. This is a conservative approach, given how volatile the resources sector can be.

The natural resources and emerging markets sector funds at U.S. Global Investors, accounting for more than three-quarters of the complex assets, are subject to significantly higher volatility than domestic “style box” equity funds or fixed-income funds. This volatility comes from a range of sources—for instance, one of the key influences on volatility in emerging markets and resource-based assets is the relative strength or weakness of the U.S. dollar.

The worst global credit crisis since the Great Depression and a subsequent global recession has been massively deflationary for all asset classes. Assets under management at U.S. Global fell almost 70 percent before rebounding somewhat as markets recovered. Natural resources and emerging markets were the hardest hit sectors. The global credit squeeze forced leveraged hedge funds to liquidate $1 trillion in assets, much of it in resources and emerging markets.

The emphasis on natural resources and emerging markets in the U.S. Global Investors Funds in 2009 is dramatically different from the asset composition of the funds a decade earlier, and this change has significantly increased the volatility of the overall U.S. Global fund asset base.

In fiscal year 1999, money market funds dominated the complex, accounting for 71 percent of average AUM. Domestic stock funds were 12 percent of AUM, the same level as natural resources. Both money market and domestic equity assets have since declined substantially as a percentage of overall AUM after years of a secular bull market for resources and emerging markets.

In the latest fiscal year, natural resources funds comprised more than half of the complex AUM. Three of the four largest U.S. Global funds fell into this category—Global Resources, World Precious Minerals, and Gold and Precious Metals. International stock funds made up another 23 percent of AUM, most of that in the Eastern European Fund. Money market, domestic equity and bond funds each fell at least 50 percent from their relative position in fiscal 1999.

We have in recent years published a two-part educational discussion of volatility for our shareholders titled "Anticipate Before You Participate" so they can better understand the nature of volatility and the associated impacts on asset valuation.

Our primary focus is on delivering the best possible performance for our funds and GROW in accordance with our mission statement—"to maximize the growth, protection and service of our shareholders' wealth with the highest ethical standards." One of the ways we strive toward that mission is through high-quality customer service—unlike at many fund complexes, all U.S. Global Investors shareholders can have their questions addressed by specially trained representatives regardless of their account size.

We deeply appreciate the loyalty of all of you who make up our GROW shareholder base, and we are determined to build on that trust through these challenging markets.

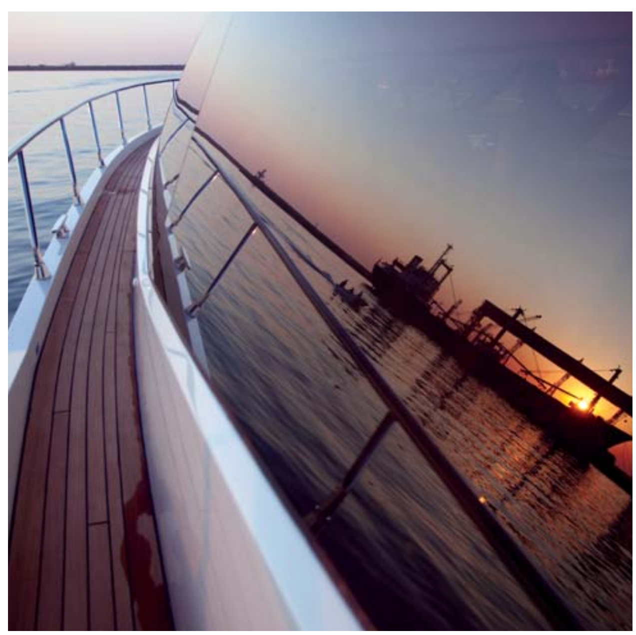
Sincerely,

Frank Holmes

CEO and Chief Investment Officer
U.S. Global Investors, Inc.

Please consider carefully a fund's investment objectives, risks, charges and expenses. For this and other importantinformation, obtain a fund prospectus by visiting www.usfunds.com or by calling 1-800-US-FUNDS (1-800-873-8637). Read it carefully before investing. Distributed by U.S. Global Brokerage, Inc.

All opinions expressed and data provided are subject to change without notice. Some of these opinions may not be appropriate to every investor.This document may include certain "forward-looking statements" including statements relating to revenues, expenses, and expectations regarding market conditions. These statements involve certain risks and uncertainties. There can be no assurance that such statements will prove accurate and actual results and future events could differ materially from those anticipated in such statements. Foreign and emerging market investing involves special risks such as currency fluctuation and less public disclosure, as well as economic and political risk. 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. 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. 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. 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. Diversification does not protect an investor from market risks and does not assure a profit. The S&P 500 Financials Index is a capitalization-weighted index. The index was developed with a base level of 10 for the 1941-43 base period. The S&P Volatility Index (VIX) shows the market's 30-day volatility, and is a widely used measure of market risk. The S&P 500 Stock Index is a widely recognized capitalization-weighted index of 500 common stock prices in U.S. companies. The following security was held by one or more of U.S. Global Investors' as of 12/31/09: Wal-Mart.



2009 in Review

The core business of U.S. Global Investors Inc. is to provide investment advisory services to the U.S. Global Investors Funds and other advisory clients.

The company also includes business segments that provide transfer agency, mailing, and distribution services through the company's wholly owned subsidiaries.

The mutual fund industry is highly competitive, and mutual-fund companies also face competition from insurance companies, banks, brokerage firms and other financial entities.

Success in the mutual fund business depends largely on the performance of a company's funds, the effectiveness of its marketing strategy and the quality of services provided to shareholders. Sales of fund shares generate management fees and transfer agency fees, while distribution and regulatory costs put pressure on the industry's profitability.

Investment Advisory Services

U.S. Global Investors manages 13 no-load mutual funds, with most of the assets under management in these funds concentrated in the natural resources and emerging markets sectors. The company also manages funds in the large-cap, mid-cap, fixed-income and money market sectors. In addition, the company provides investment advisory services to two offshore clients.

Investment advisory fees totaled $17.7 million for the year ended June 30, 2009, down from $46.1 million a year earlier. These fees are the largest component of the company's revenue. Mutual funds accounted for $16.8 million of those fees, down from $39.5 million in fiscal year 2008.

The decline in revenue from mutual funds was mostly a result of the market decline resulting from the global financial crisis and the broadly felt recession that followed. While the damage from these events was widespread, they had a particularly harsh impact on the natural resources and emerging markets sectors. Commodities prices collapsed and the internal finances of many developing countries were thrown into turmoil.

For the year that ended June 30, 2009, each of the U.S. Global Investors equity funds posted negative performance, which in turn had a negative effect on the level of assets under management. In fiscal year 2009, mutual fund assets under management averaged $2.4 billion, down from $5.1 billion in fiscal year 2008.

Average Assets under Management (Dollars in Millions)						
	2009	2008	% Change	2008	2007	% Change
Natural Resource	$1,318	$2,818	(53.2%)	$2,818	$2,427	16.1%
International Equity	558	1,601	(65.1%)	1,601	1,506	6.3%
Fixed Income	513	617	(16.9%)	617	593	4.0%
Domestic Equity	54	89	(39.3%)	89	84	6.0%
Total SEC-Registered Funds	2,443	5,125	(52.3%)	5,125	4,610	11.2%
Other Advisory Clients	90	312	(71.2%)	312	236	32.2%
Average Assets under Management	$2,533	$5,437	(53.4%)	$5,437	$4,846	12.2%

Another contributing factor to lower investment advisory revenue was the end of an advisory relationship with the company's largest offshore client. In November 2008, U.S. Global Investors terminated its contract with Endeavour Financial Corporation. In addition, the company did not earn performance fees from its offshore clients during the fiscal year. For the year ended June 30, 2009, offshore clients accounted for $0.9 million in revenue, down from $6.5 million a year earlier.

In the first quarter of fiscal year 2009, shareholders in the U.S. Global Investors Funds approved a range of proposals that, among other things, merged the company's two business trusts into a single trust, updated the fee structure of several funds, added performance fees to the nine equity funds, and expanded a fund distribution plan.

The nine equity funds in the U.S. Global Investors Funds family operated with contractual expense caps between October 1, 2008 and September 30, 2009. The aggregate amount of fees waived and expenses borne totaled nearly $5.6 million in fiscal year 2009. Beginning October 1, 2009, U.S. Global Investors replaced contractual expense caps with voluntary expense caps that can be revised at the company's discretion.

Transfer Agency Services

United Shareholder Services Inc., a wholly owned subsidiary of U.S. Global, is a transfer agent registered under the Securities Exchange Act of 1934 to provide transfer agency and mailing services to investment company clients.

The transfer agency performs shareholder account and administrative agent functions; maintains the records necessary to document transactions in the funds' shares; investigates and answers shareholder account inquiries; and acts as the servicing agent for mailing shareholder reports, dividend and distribution notices, and proxy materials.

The company receives an annual fee per account as compensation for transfer agency services, and it is reimbursed for out-of-pocket expenses associated with the processing of shareholder information. In addition, the company collects custodial fees on IRAs and other retirement plans invested in the U.S. Global Investors mutual funds.

Revenue from the transfer agency totaled $5.9 million in fiscal year 2009 , compared to $8.5 million a year earlier. The decrease in transfer agent fees was primarily due to a decline in the number of shareholder accounts and number of transactions due to lower assets under management, particularly in the natural resource and international equity funds.

Investment Income

The company's investment income includes realized gains and losses on securities sales, unrealized gains and losses on trading securities, foreign currency gains and losses, dividends and interest, and other income.

This income is dependent on market fluctuations, the company's ability to participate in investment opportunities and timing of transactions. For these reasons, this source of income does not remain at a constant level.

The company recorded an investment loss of $4.6 million in fiscal year 2009, compared to a gain of $1.4 million in the previous year. This decline can be attributed primarily to declines in the market value of trading securities in the natural resources and international equity sectors and an other-than-temporary impairment of $2.5 million as a result of the market value decline in the value of available-for-sale securities.

U.S. Global had $25.8 million invested in the U.S. Global Investors family of mutual funds and offshore clients included in the balance sheet in cash and cash equivalents and trading securities at June 30, 2009. That compares to $30.9 million in such investments a year earlier.

Revenues (Dollars in Thousands)	2009	2008	% Change	2008	2007	% Change
Investment advisory fees:						
Natural resource funds	$8,990	$17,186	(47.7%)	$17,186	$15,191	13.1%
International equity funds	6,749	19,963	(66.2%)	19,963	18,727	6.6%
Domestic equity funds	730	1,605	(54.5%)	1,605	1,776	(9.6%)
Fixed income funds	295	764	(61.5%)	764	728	4.9%
Total mutual fund advisory fees	16,764	39,518	(57.6%)	39,518	36,4 22	8.5%
Other advisory fees	924	6,538	(85.9%)	6,538	13,095	(50.1%)
Total investment advisory fees	17,688	46,056	(61.6%)	46,056	49,517	(7.0%)
Transfer agent fees	5,942	8,455	(29.7%)	8,455	7,537	12.2%
Distribution fees	2,867	-	100.0%	-	-	0.0%
Administrative service fees	1,215	-	100.0%	-	-	0.0%
Investment income (loss)	(4,616)	1,447	(419.0%)	1,447	1,357	6.7%
Other revenues	44	81	(45.0%)	81	193	(58.2%)
Total	$23,140	$56,039	(58.7%)	$56,039	$58,604	(4.4%)

Distribution and subadvisory costs

Much of the asset growth for all of the funds in the U.S. Global Investors family has come through broker/dealer "omnibus" platforms. These distribution platforms typically charge an asset-based fee for assets held in their custody.

Platform fee expenses totaled $4.9 million in fiscal 2009, down from $9.0 million paid in fiscal 2008. These expenses declined as a result of a decline in fund assets being held via the broker/dealer platforms.

U.S. Global Investors paid $2.4 million in subadvisory fees in the latest year, down from $9.2 million in fiscal 2008. These fees are a percentage of the average net assets of the U.S. Global funds that are subadvised by third-party managers. The reduction in subadvisory fees reflects the restructured responsibilities of the former manager of the Eastern European Fund and Global Emerging Markets Fund. In November 2008, U.S. Global Investors took over the day-to-day management of those funds from Charlemagne Capital Ltd. Charlemagne Capital continues to provide limited subadvisory services to those funds.

General and administrative costs

General and administrative expenses totaled $8.7 million in fiscal 2009, up from $6.8 million in the previous year. These expenses rose during the latest fiscal year as a result of the costs associated with the fund shareholder election that merged the fund trusts, updated the fee structure of several funds, added performance fees to the nine equity funds, and expanded a fund distribution plan.

G&A remains a significant expense for U.S. Global Investors. In recent years, federal securities laws have been made significantly more complex as a result of the Sarbanes-Oxley Act of 2002, the USA PATRIOT Act of 2001 and other measures. These laws have added to what was already a substantial regulatory burden, increasing the time- and personnel-related costs incurred by the company to satisfy compliance requirements.

Moreover, current and pending regulatory and legislative actions and reforms affecting the mutual fund industry may negatively impact earnings by increasing the company's costs of operating in the financial markets.

Employee compensation and taxes

Employee compensation and benefits were $10.0 million in fiscal year 2009, down from $13.6 million in fiscal year 2008. The lower figure was primarily due to reduced staffing and a decrease in incentive bonuses associated with mutual fund performance.

As of June 30, 2009, U.S. Global Investors and its subsidiaries employed 74 full-time employees and five part-time employees. A year earlier, the company employed 84 full-time employees and nine part-time employees.

Expenses

Expenses (Dollars in Thousands)						
	2009	2008	% Change	2008	2007	% Change
Employee compensation and benefits	$10,017	$13,608	(26.4%)	$13,608	$12,560	8.3%
General and administrative	8,696	6,805	27.8%	6,805	7,482	(9.0%)
Platform fees	4,946	9,049	(45.3%)	9,049	7,528	20.2%
Subadvisory fees	2,415	9,223	(73.8%)	9,223	8,935	3.2%
Advertising	407	488	(16.6%)	488	509	(4.1%)
Depreciation	270	284	(4.9%)	284	244	16.5%
Total	$26,751	$39,457	(32.2%)	$39,457	$37,258	5.9%

Liquidity and Capital Resources

On June 30, 2009, the company had net working capital (current assets minus current liabilities) of approximately $27.4 million and a current ratio (current assets divided by current liabilities) of 10.8 to 1.

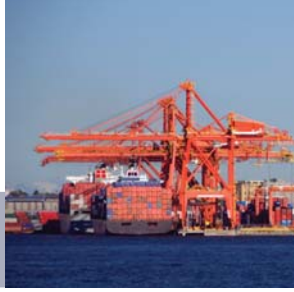
With approximately $20.3 million in cash and cash equivalents and $7.0 million in marketable securities, the company has sufficient liquidity to meet its current obligations.

Total shareholders' equity was approximately $34.6 million, with cash, cash equivalents and marketable securities comprising 73.6 percent of total assets.

The company has no off-balance-sheet arrangements, no long-term debt and it has access to a $1 million credit facility for working capital purposes. The company's available working capital and potential cash flow are expected to be adequate to cover current expenses.

Management believes current cash reserves, available financing and potential cash flow from operations will allow the company to meet foreseeable cash needs or capital necessary for the above-mentioned activities and will enable the company to take advantage of investment opportunities that present themselves.

Investment Management



Fund Recognition

Investment leadership results in performance. The U.S. Global Investors is the winner of 26 Lipper fund awards and certificates since 2000.

Investment Methodology

We believe the essence of forecasting lies in a process that focuses on the current and historical inter-market dynamics and relationships among countries, currencies, interest rates, commodities, bonds, earnings and equities at different stages in the economic cycle.

We rigorously review inter-market relationships on a weekly basis. Our models are influenced by structural shifts caused by many variables such as changing social attitudes and sentiment, legislative actions or monetary policy changes. In our analysis we are searching for multiple confirming factors, which increase the probability of success.

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.

Analytical Hierarchy Process (AHP)

The AHP concept is key to our decision-making mosaic, by distilling relevant information into actionable ideas. The AHP helps decision makers organize the important components of analysis into a hierarchical structure. Then, by reducing complex decisions to a series of simple pair-wise comparisons, the AHP helps arrive at the best decision and provide a clear rationale for the choice or decision we made based on facts and circumstances that day. Our use of the best-to-worst methodology is an excellent example of condensing large quantities of information into a hierarchical, pair-wise structure that enables the team to quickly identify relevant information from market noise.

SWOT Framework

We use a SWOT framework as an integral component of the AHP. Our SWOT analysis identifies past strengths and weaknesses and pairs that with forward-looking opportunities and threats. Integrating the SWOT framework and AHP creates a powerful and flexible tool for analyzing both complex qualitative and quantitative aspects of an investment decision. The SWOT analysis helps to identify company and industry-specific critical drivers and sustainable catalysts.

Top Down Focus

- Macro Economic Trends and Reversions
- Country Analysis
- Sector Analysis
- Industry Analysis

Bottom Up Focus

- Portfolio Management
- Cash Weightings
- Stock Picking

Branding and Education

Branding – GROW gets noticed

In recent years U.S. Global Investors as a company has been recognized in a number of publications. These outlets are valuable allies when it comes to telling the GROW story to new audiences and attracting new groups of shareholders.

MARTIN WEISS' Safe Money REPORT

June 2009 Issue #422

Mr. Speculator

New Recommendation: U.S. Global Investors

U.S. Global Investors (GROW) is a mutual fund family best known for its CEO and Chief Investment Officer Frank Holmes, who oversees a staff of investment professionals focusing on natural resources. The firm's major funds include the World Precious Minerals Fund and the Global Resources Fund, with others focused on the emerging markets. With resource investing ramping up again, you're likely to see strong improvements in fund performance, with assets under management following suit.

In our Flash Alert of May 30, we recommended 200 shares, paying no more than $7 per share (assuming a total portfolio of about $100,000). But since then, the stock has traded significantly above that level, making it impossible to buy at that price. Our updated recommendation: Wait patiently for the market to come back down before buying. Do, however, make a modest adjustment in your order to the following: **Buy 200 shares of GROW at $7.60 or better.**

Meanwhile, your **ProShares UltraShort 20+ Year Treasury (TBT)** is moving up sharply. We told you to buy 50 shares of TBT in our April issue. Then, if you acted on our May 8 Flash Alert, you should have bagged a profit on *half* of the position. Plus, you should have nice double-digit open gains on the remainder of the trade.

TBT is double-leveraged, which means it's designed to rise 20 percent in value for every 10 percent decline in the price of long-term Treasury bonds. We feel that makes it an ideal hedge against out-of-control spending in Washington, record-breaking deficits, and rising interest rates. Not yet in this trade? Then don't wait. **Buy 25 shares at the market (assuming a total portfolio of about $100,000).**

In contrast, your inverse ETFs on stock indexes are getting battered by a rise in the stock market that's both longer and stronger than we expected. We have not changed our view on the tremendous profit opportunities these investments offer. However, prudence dictates that if the markets can rise above their current resistance levels, you should reduce your exposure, while holding on to the balance.

If that happens, we'll send you a flash alert with more specific instructions. So stand by. For now, stand firm, as follows:

- **Short Dow30 ProShares (DOG)** — This inverse ETF is designed to rise 10 percent for every 10 percent decline in the Dow Jones Industrial Average. But with the Dow rising, it's declining accordingly. **Hold, but wait for our next signal.**
- **Short QQQ ProShares (PSQ)** — This inverse ETF gains 1 percent for every 1 percent decline in the Nasdaq-100 Index. **Hold.**
- **Short Financials ProShares (SEF)** — This sector inverse ETF, targeting the Dow Jones U.S. Financials Index, is also designed to gain approximately 1 percent for every 1 percent decline in that index of banks, brokers, and

Skousen™ › turnaround trader — Turnaround Alert

THE MONEY MAP REPORT

Marketocracy™ Marketscope 2008

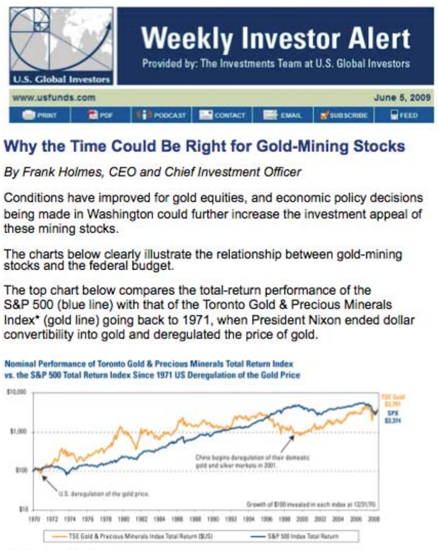
The Motley Fool. To Educate, Amuse & Enrich™

"U.S. Global Investors had nearly $25 million sitting in the bank (15% of its market cap) and no long-term debt. It's hard to argue with that."

– Motley Fool June 8, 2009

Branding – Education

The U.S. Global Investors investment team is constantly learning to keep pace with rapidly changing markets. The team enthusiastically shares its lessons and insights with shareholders in the Weekly Investor Alert and via commentaries that are carried in print and on a wide variety of prominent online investment sites.



Weekly Investor Alert

Provided by: The Investments Team at U.S. Global Investors

U.S. Global Investors

www.usfunds.com June 5, 2009

Why the Time Could Be Right for Gold-Mining Stocks

By Frank Holmes, CEO and Chief Investment Officer

Conditions have improved for gold equities, and economic policy decisions being made in Washington could further increase the investment appeal of these mining stocks.

The charts below clearly illustrate the relationship between gold-mining stocks and the federal budget.

The top chart below compares the total-return performance of the S&P 500 (blue line) with that of the Toronto Gold & Precious Minerals Index* (gold line) going back to 1971, when President Nixon ended dollar convertibility into gold and deregulated the price of gold.

Communicating Through a Crisis

When markets are in extreme turmoil, what investors don't know can create more fear and anxiety than what they do know. During the past fiscal year, U.S. Global Investors offered counsel and perspective to both mutual fund and GROW shareholders to help them make important decisions during a tumultuous time.

2009 STAR AWARDS

Award Winning Education Communications

The annual **Mutual Fund Education Alliance STAR Awards** recognize mutual fund companies for outstanding investor communications, education and support. Each year the MFEA examines the best educational materials, both in print and electronic, in the mutual fund industry and then asks industry judges to select from the best.

Materials are evaluated on educational value, message comprehension, effective design and objectives. Additional points are awarded for superior quality, unique presentation, exceptional design or other areas that the judges determine warrant special recognition. The company won six awards competing in the Small Funds category made up of fund groups with $5 billion or less in assets.

The **Shareholder Report** won the STAR Award for Best Shareholder Magazine for the third straight year. One judge said the “engaging imagery and copy make this a financial magazine that quickly finds you immersed and actually enjoying yourself.”

The **Investor Alert**, our investment team’s weekly analysis of global markets, won the STAR Award for Best Shareholder Electronic Newsletter. Its sister publication—the **Advisor Alert**—took the top spot for eNewsletters geared toward financial advisors. One judge said it was “one of the best electronic newsletters I’ve seen.”

The **Commodities and the Mean Reversion Principle,** which highlights the rotation of performance for a basket of commodities, won the STAR Award in the Wild Card category. A judge called it an “interesting and fun tool that highlights a basic principal.”

The **What’s Driving Gold? Campaign** won the STAR Award for Best Online Marketing Campaign. One judge said the educational effort to explain the benefits of investing in gold was very thorough and “no wonder it was such a success.”

U.S. Global Investors also won a STAR Award for Best Advisor Website.

Social Responsibility

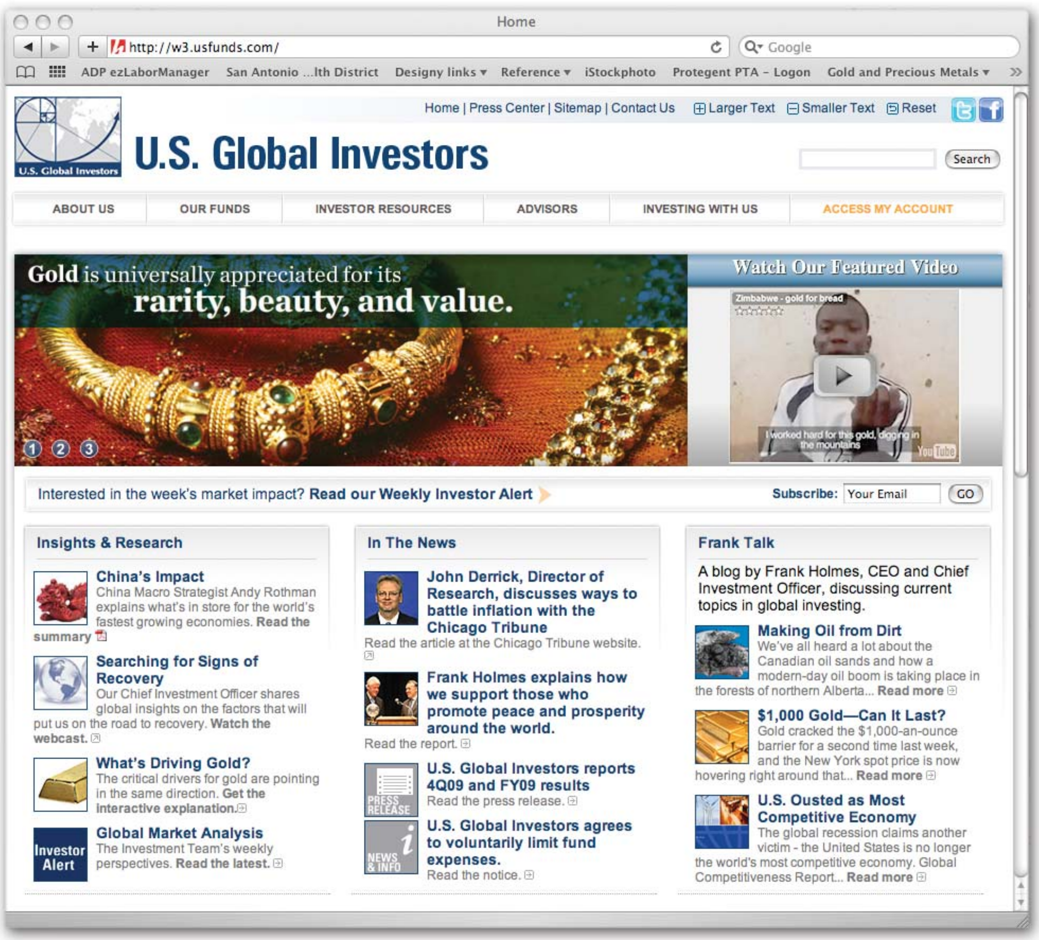
Emerging nations hold 80 percent of the world's population and hold 80 percent of its natural resources. The world's fastest growing economic growth is also taking place in developing nations. Because of this, U.S. Global Investors works with a number of global organizations to promote peace and prosperity around the world we invest in.

U.S. Global Investors believes in the work being done by the William J. Clinton Foundation. Our research and travel in Africa and Latin America have allowed us to cross paths with the Foundation's efforts there and we've witnessed their beneficial impact firsthand. We are particularly committed to one of the foundation's initiatives, the Clinton Giustra Sustainable Growth Initiative. CGSGI focuses on alleviating poverty in the developing world by identifying opportunities to assist local leaders in addressing social, economic and environmental issues.

We are a strong supporter of the work being done by the International Crisis Group. The International Crisis Group is a non-profit, non-governmental organization working to avert and resolve conflict around the world. The Crisis Group is one of the best sources of non-biased information about what's happening in the world's most troubled spots.

U.S. Global has been a member of the World Affairs Council since 1991. The World Affairs Council is dedicated to promoting public understanding of world affairs and United States' foreign policy and to enhancing the ability of its citizens and future leaders to participate in a global community.

New Website



The company recently launched a redesign of our website usfunds.com.

The main goals of this major project were to:

- Engage the visitor in our brand and demonstrate our emphasis on investor education
- Make it easier for visitors to find the information they seek, through more intuitive navigation and content organization
- Put more emphasis on our unique content, such as Investor Alert, Frank Talk, research materials, and media interviews.

The new site also allows us to better present multi-media content such as videos, slideshows and quizzes. Visitors will find the same information they have come to expect in an updated, more user-friendly format.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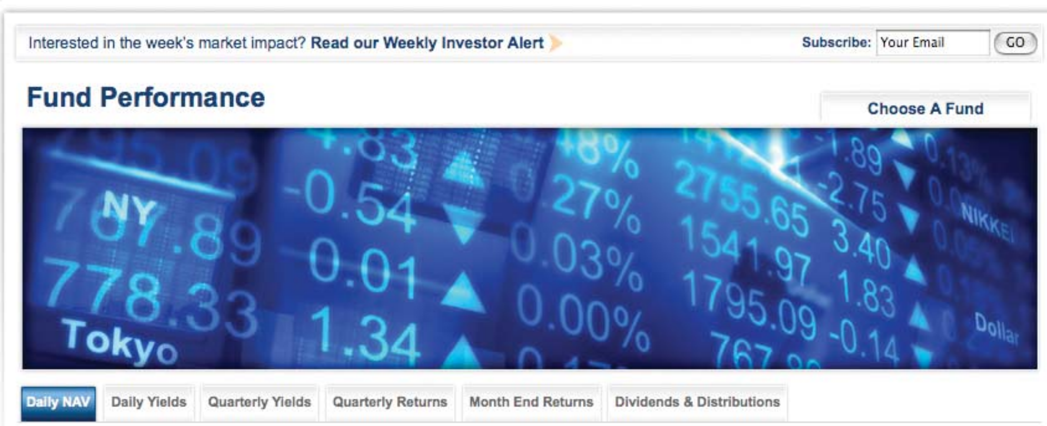
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How to Invest
Prospectus
Forms and Applications
FAQs
Contact a Service Rep
Tax Help Center

Leadership

At U.S. Global Investors, excellence is found not only among our fund management teams, but also in other departments such as shareholder services, marketing and public relations, accounting, compliance and all other support personnel. Our philosophy is to lead by example with a core of executive leaders who are among the best in the industry.

Frank E. Holmes

CEO and Chief Investment Officer

Frank Holmes is Chief Executive Officer and Chief Investment Officer of U.S. Global Investors, Inc., where he oversees the management of all U.S. Global Investors' funds. The company's funds have received numerous awards and honors during Mr. Holmes' tenure, including more than two dozen Lipper Fund Awards and certificates since he became CIO in 2000. Before purchasing a controlling interest in U.S. Global Investors in 1989, Mr. Holmes worked as a research analyst, portfolio manager and managing director of corporate finance with a Canadian firm. He is a former president and chairman of the Toronto Society of the Investment Dealers Association, and he has served on the Toronto Stock Exchange's Listing Committee. Mr. Holmes was named 2006 mining fund manager of the year by Mining Journal, a leading publication for the global natural resources industry. In 2008, he co-authored "The Goldwatcher: Demystifying Gold Investing" (John Wiley & Sons) and his market commentaries have been published in many financial publications and websites. Mr. Holmes is a regular keynote speaker at national and international investment conferences. He is also a much-sought-after commentator on the financial television networks CNBC, Bloomberg and Fox Business News, and he has been profiled by Fortune, Barron's, The Financial Times and other publications. He is engaged in a number of international philanthropies. He is a member of the President's Circle and on the investment committee of International Crisis Group, which works to resolve conflict around the world. He is also an advisor to the William J. Clinton Foundation on sustainable development in countries with resource-based economies.

Catherine A. Rademacher

Chief Financial Officer

Catherine Rademacher has been the Chief Financial Officer of the Company since August 2004. She was Controller of the Company from April 2004 until August 2004. Ms. Rademacher received her bachelor's degree in Accounting from the University of Texas at El Paso and is a Certified Public Accountant.

Susan B. McGee

President, General Counsel

Susan McGee joined the Company in 1992 as Associate Counsel. In 1997, she became General Counsel and progressed to President of U.S. Global Investors in 1998. In collaboration with the CEO, Ms. McGee is responsible for directing the overall policy, planning, administrative, budgetary and operations functions of the organization. As General Counsel, she provides general legal services to U.S. Global Investors, Inc., and its subsidiaries. Ms. McGee received her bachelor's degree in Accounting from the University of Houston, graduating Magna Cum Laude. She earned a J.D. from St. Mary's Law School, graduating Magna Cum Laude. Ms. McGee is a director of San Antonio Sports, a member of the Texas Bar Association, the San Antonio Bar Association and the San Antonio Women's Bar Association.

John W. Derrick

Director of Research

John W. Derrick joined U.S. Global Investors in January 1999 as an investment analyst for the U. S. Global Investors money market and tax-free funds. In 2004, he was promoted from Portfolio Manager to Director of Research, which includes day-to-day management of the investment team. Mr. Derrick is responsible for monitoring the economy, Federal Reserve policy and other macroeconomic factors affecting the U.S. and global economies. In addition, he evaluates securities in the context of the overall portfolio structure. Prior to joining U.S. Global Investors, Mr. Derrick worked at Fidelity Investments. Mr. Derrick makes regular appearances on the financial television networks, and he has been a guest on Bloomberg Radio, CBS Radio and National Public Radio. Mr. Derrick has also been featured in BusinessWeek, The New York Times, USA Today and other publications. A graduate of The University of Texas Arlington, Mr. Derrick earned a B.B.A. in Finance and he is a Chartered Financial Analyst.

Terry Badger

Director of Communications

Terry Badger is Director of Communications at U.S. Global Investors. He joined the Company in February 2006. Mr. Badger oversees U.S. Global's communication strategies, including media relations, company publications and online content. He is also the Company's investor relations officer. He was formerly a journalist with the Associated Press, serving as its assistant news editor for business in New York and as its San Antonio bureau manager. Mr. Badger earned a M.S. in journalism from Columbia University in New York after completing his undergraduate studies in economics at the University of Vermont. He holds several FINRA securities licenses.

Mark Carter

Vice President of Shareholder Services
President, United Shareholder Services, Inc.

Mark Carter joined U.S. Global Investors as operations manager in early 2007 and currently serves as President of United Shareholder Services, Inc., a subsidiary of U.S. Global Investors. Mr. Carter has twenty years of experience within transfer agent operations and has previously held similar positions at Invesco AIM Funds. Mr. Carter oversees the daily operations of shareholder account servicing and customer care. In addition, Mr. Carter serves as the firm's anti-money laundering officer. He holds a Bachelor's in Business Administration from Texas Tech University.

Vision

To make people feel financially happy and secure that their wealth is consistently growing.

Mission

To maximize the growth, protection and service of our shareholders' wealth with the highest ethical standards.

Values

Respect for people. Initiative and responsiveness. Performance and results oriented. Focused work ethic. Recognition of achievement. Curiosity to learn and improve.

Bottom Line

We passionately believe that our ability to deliver superior performance is the key to attracting assets and creating prosperity for everyone.

Respect for people and teamwork

"Respect for people and teamwork" is more than just a platitude at U.S. Global Investors. It is one of our core values and we put it to work every day.

Our employees are responsible for our success as a company, and it is their dedication that will continue that success into the future. From the portfolio managers to the fund administrators and the phone representatives who answer questions from our fund shareholders, our team of skilled professionals always gives its best effort. We know that all of us together are smarter and more resourceful than any one of us alone.

Fewer than 100 people work at U.S. Global Investors, so that teamwork ethic is crucial to compete. Ours is an industry in which many companies have thousands of employees. Our small number of workers makes every face a familiar face, and it puts everyone on a first-name basis with everyone else. Some members of our team have been here more than 20 years, and others are fresh out of school and starting their careers. Some are the children or even the grandchildren of other employees.

That mix of experienced people and those eager to learn is a tremendous benefit as we infuse established methods with new ideas and technology to get the best of both worlds.

U.S. Global Investors

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1-800-US-FUNDS www.usfunds.com