



# U.S. Global Investors

Searching for Opportunities, Managing Risk

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## View the World from 50,000 Feet

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



# Fund Recognition

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Investment  
leadership results  
in performance

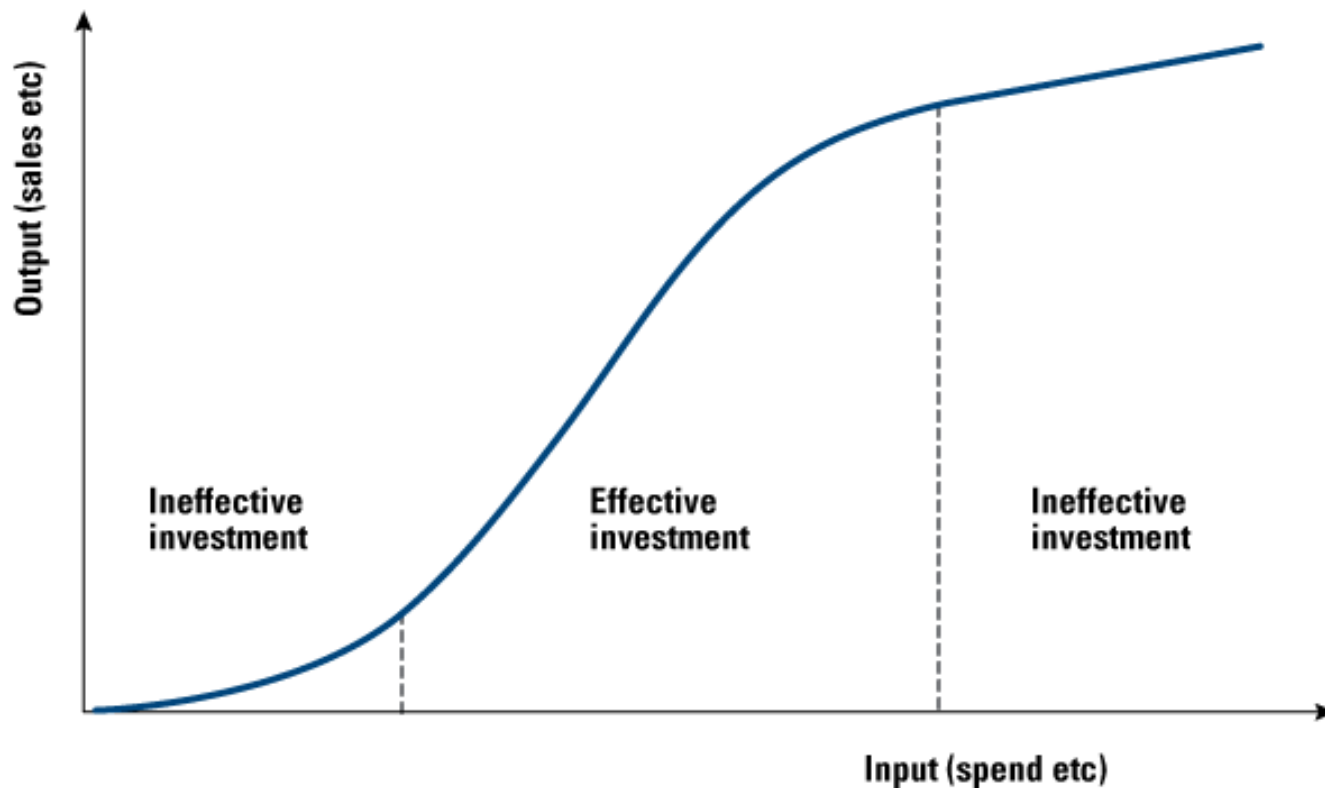


Winner of 26 Lipper Fund Awards and certificates since 2000

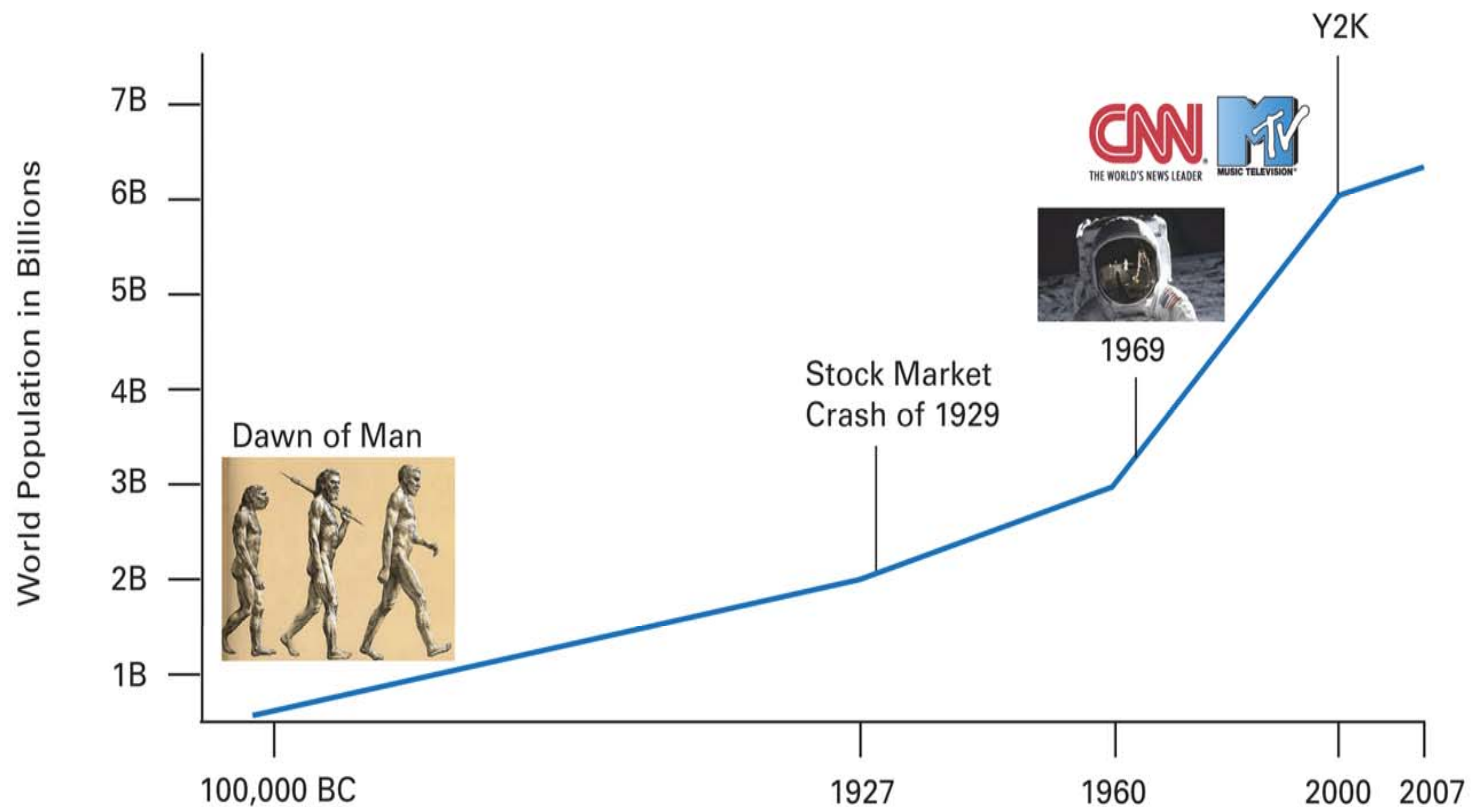
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# The S-Curve – Big Question is Where Are We On The Curve?



# 6 Billion People-Tipping Point



# Demographics is the Key



Deng Xiaoping

**Emerging Markets expected to account for nearly three-quarters of the world's urban population by 2015**



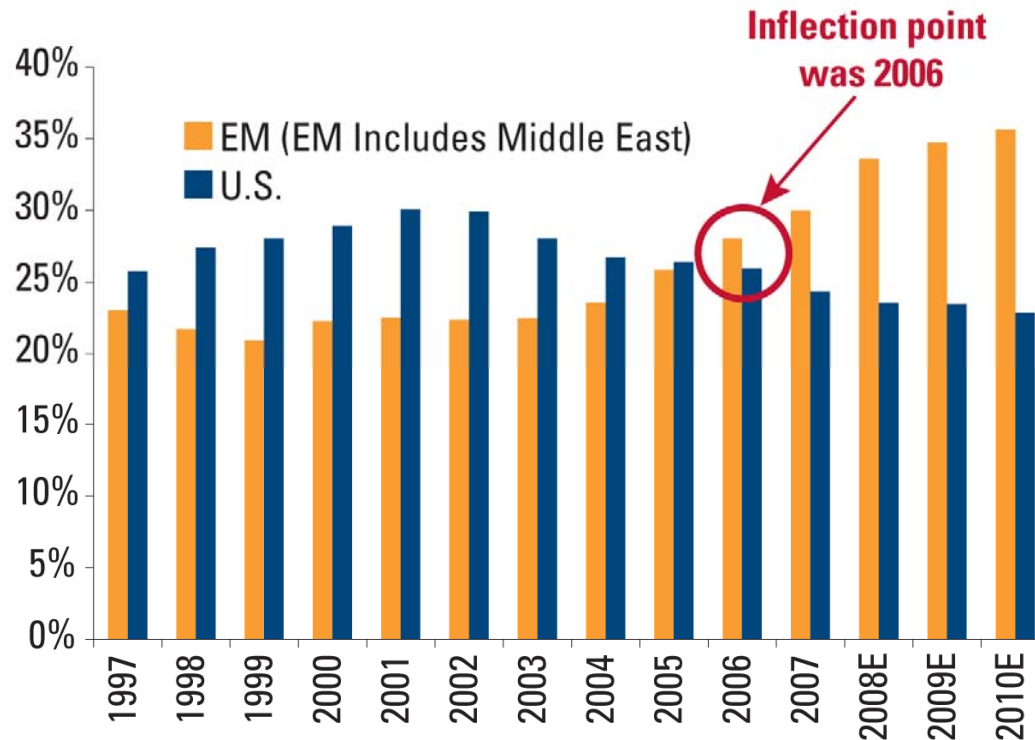
Source: United Nations World Population Prospects 2005 Revision, Morgan Stanley Research

- Half of the global population (>3 billion) is estimated to live in urban areas
- Projected urban population is larger than the entire world population in 1965



# Demographics is the Key

## Share in Global Nominal US\$ GDP



Source: IMF, Morgan Stanley Research

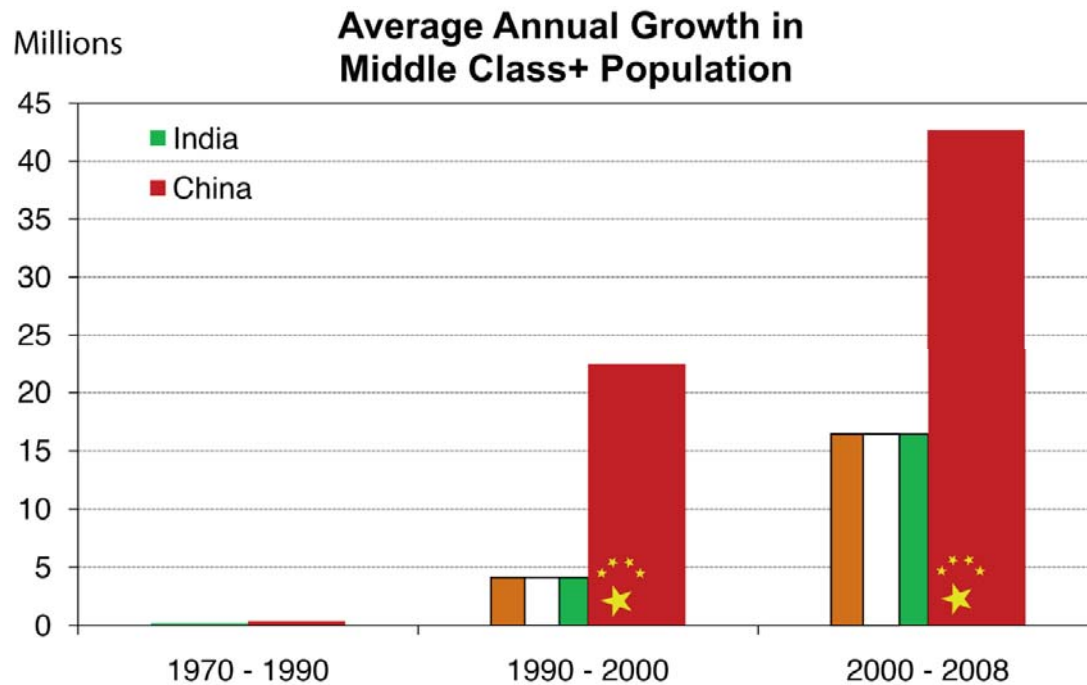
EM = Emerging Markets



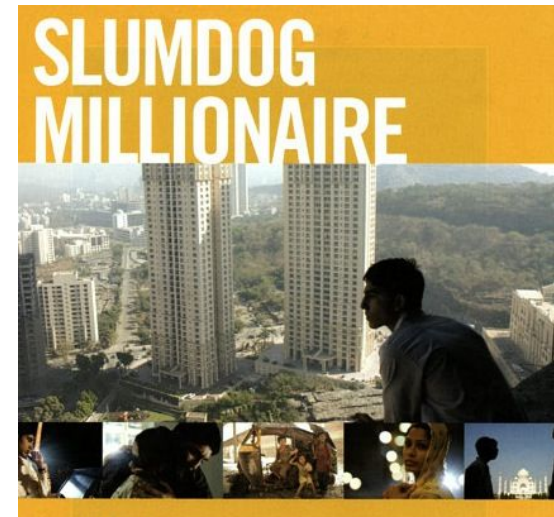
Taipei, Taiwan



# Chindia — Rising Middle Class



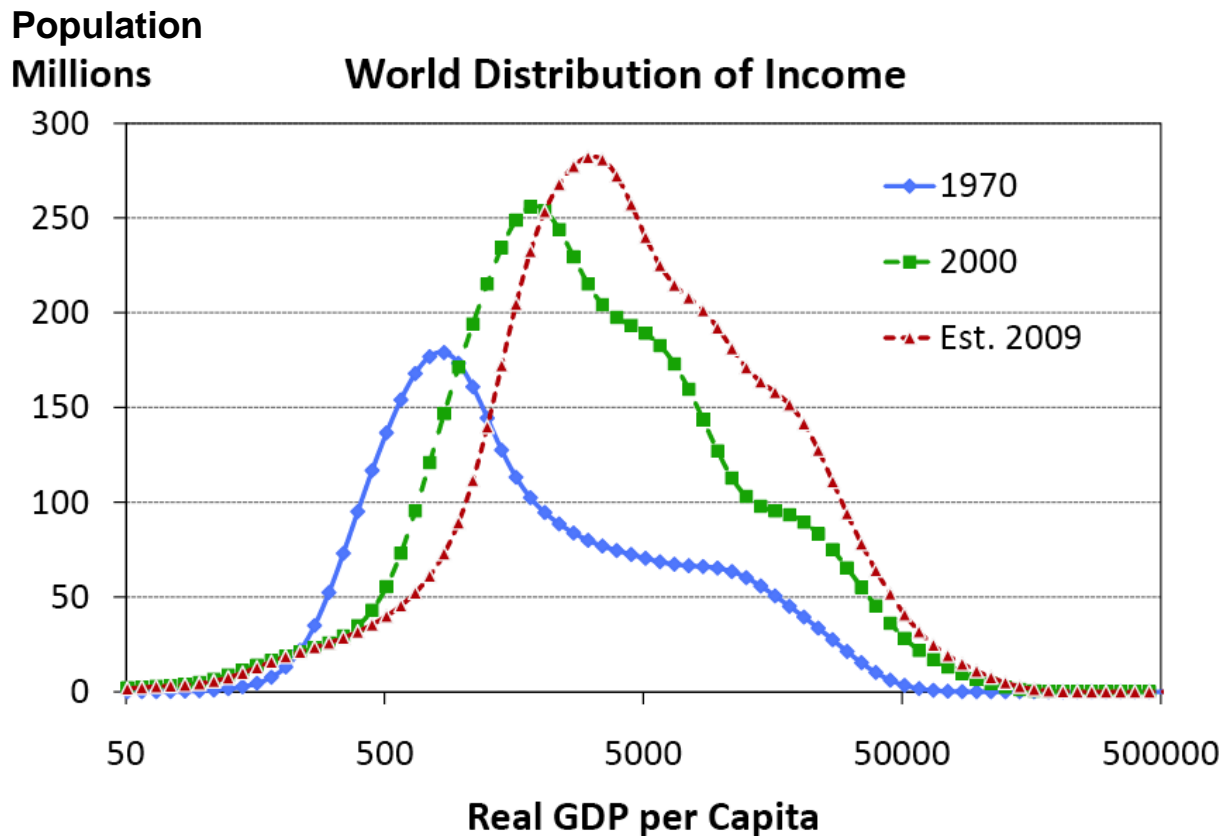
Source: PIRA



Source: padanisaa.blogspot.com



# Macro Trend-Tailwind for Investing in Emerging Economies



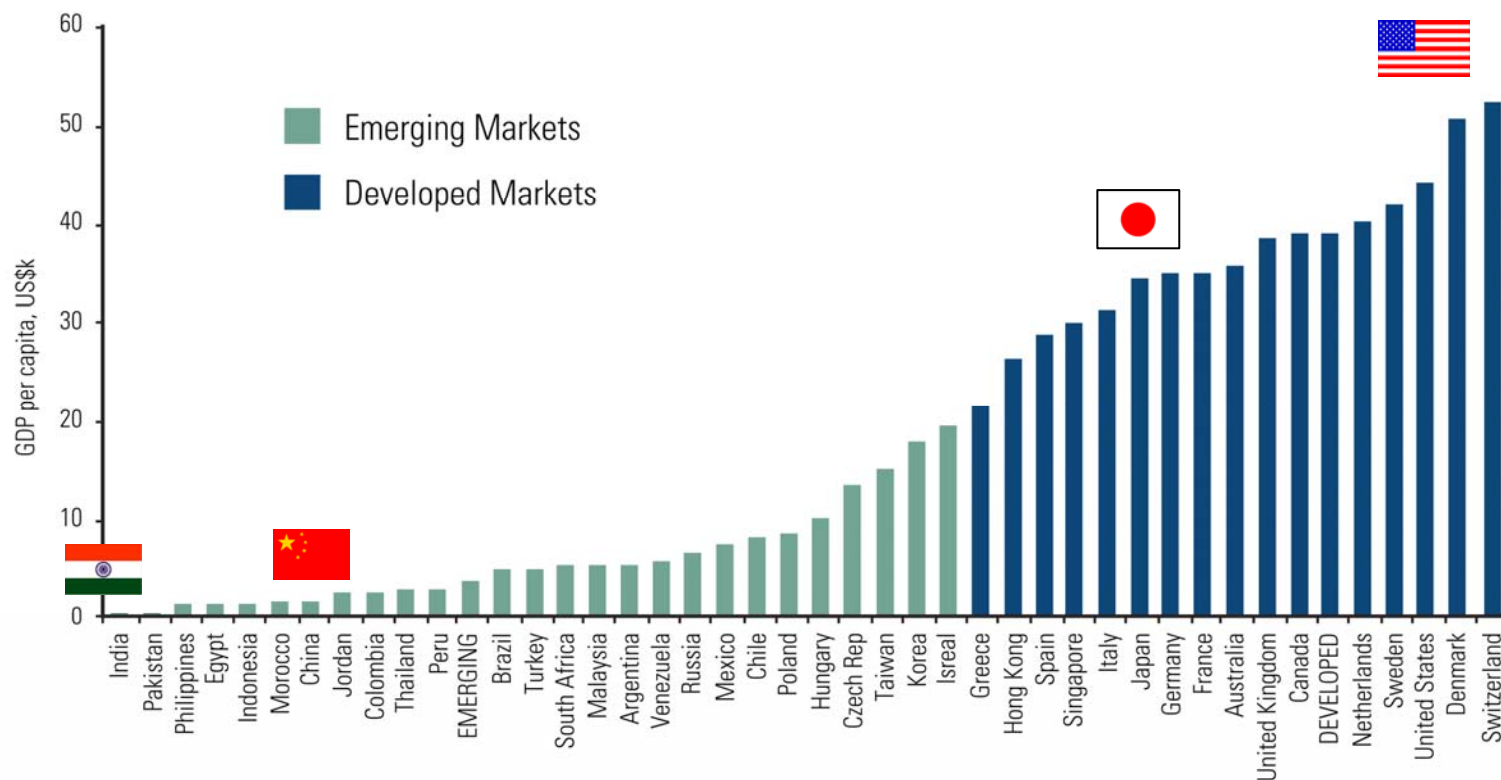
Mercedes Showroom, China

Source: PIRA





# Catch-Up Potential — Big Macro Trend



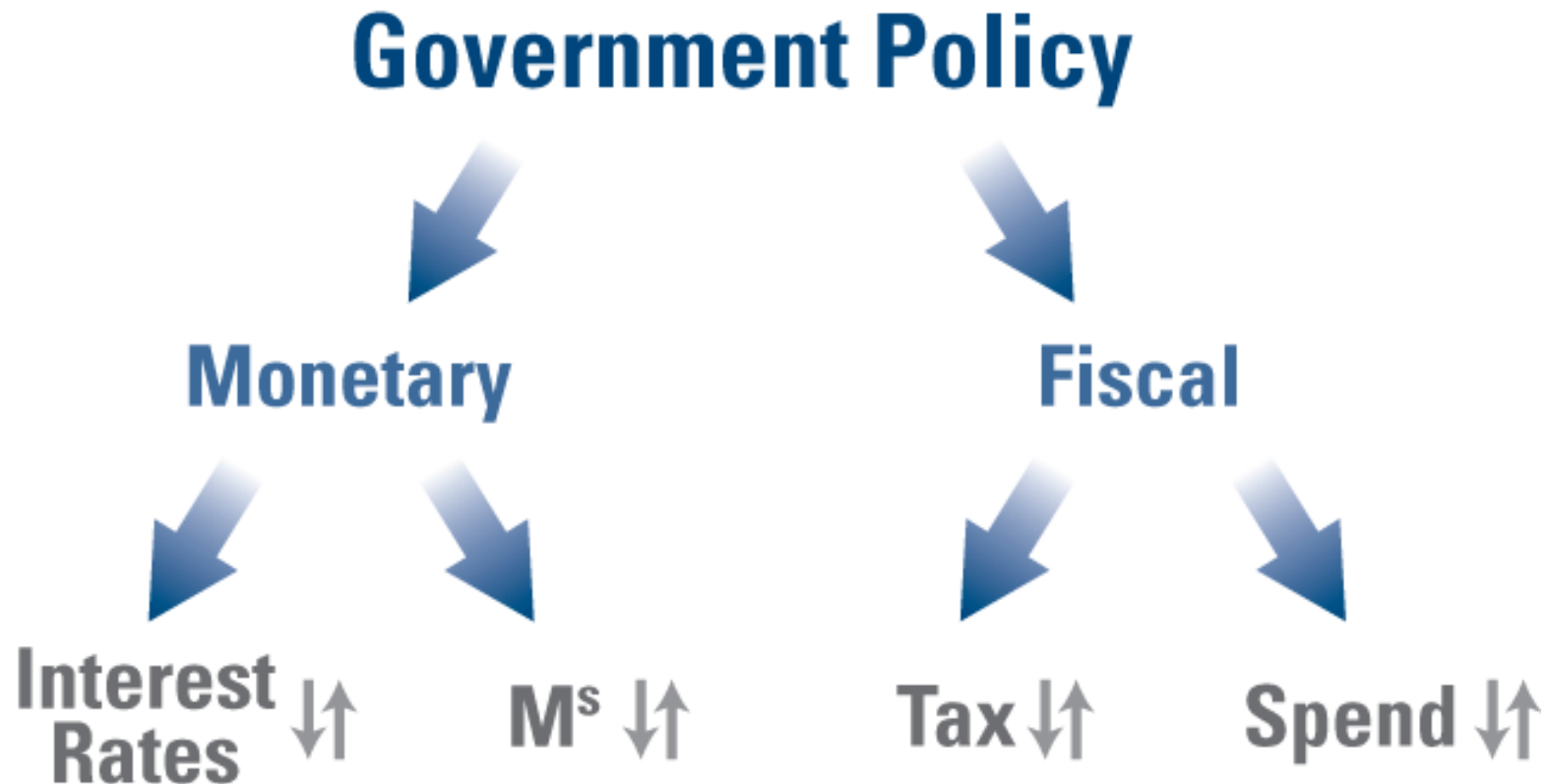
As of Sep 2006. Source: IMF, Merrill Lynch

- Poor countries typically grow faster than rich ones
- EM GDP per capita is US\$5,000 vs. \$40,000 in developed markets

















# Government Policy Model — Precursor for Change

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# E7 and G7 Population vs GDP

		Population (million)*	Nominal GDP (bn USD) 2009*
<b>E-7</b>			
	China	1324	4985
	India	1157	1310
	Indonesia	240	540
	Brazil	199	1572
	Pakistan	181	167
	Russia	140	1231
	Mexico	111	875
Total		3352	10679
		<b>49% of world total</b>	<b>18% of world total</b>

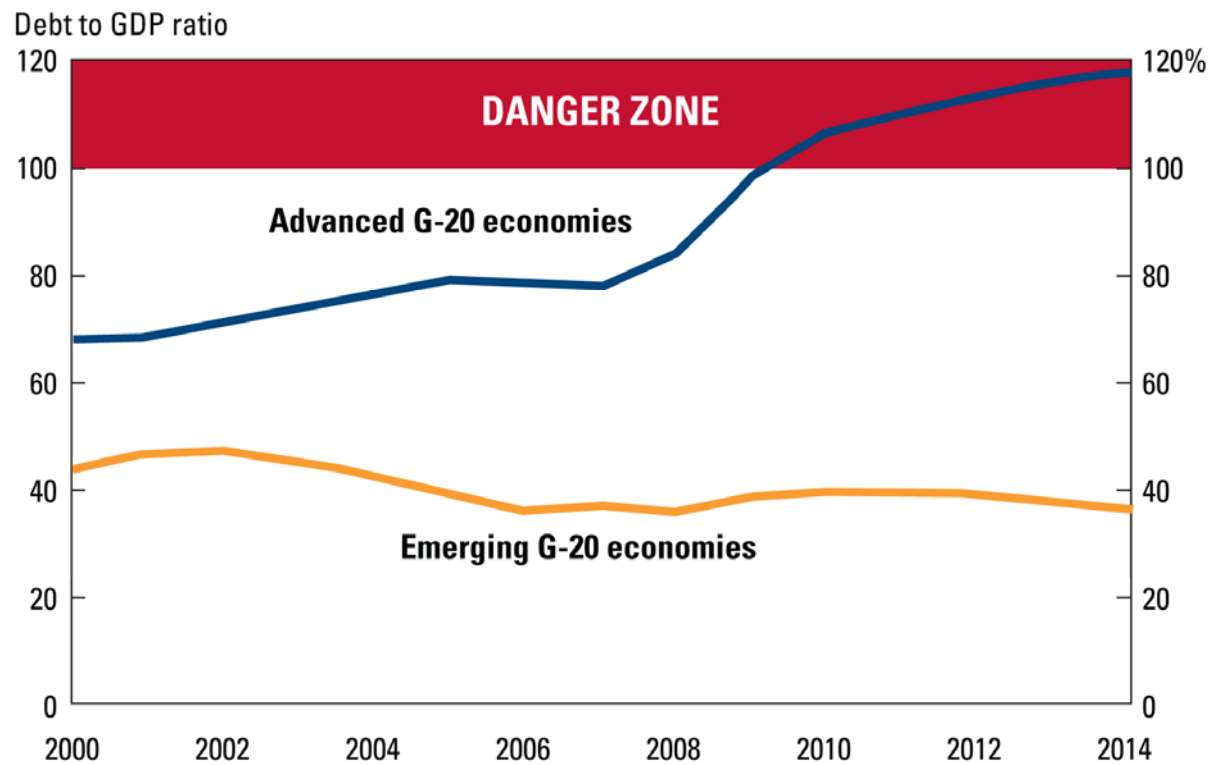
		Population (million)*	Nominal GDP (bn USD) 2009*
<b>G-7</b>			
	USA	307	14256
	Japan	127	5068
	Germany	82	3347
	France	64	2649
	UK	62	2175
	Italy	58	2113
	Canada	33	1336
Total		734	30943
		<b>11% of world total</b>	<b>53% of world total</b>

Source: U.S. Global Research

\*As of December 2009



# Less Debt in Emerging Economies



Source: IMF, <http://www.imf.org/external/pubs/ft/spn/2009/spn0925.pdf>;  
Morgan Stanley Research



# The Shocking Cost of U.S. Regulation is an Opportunity for Emerging Markets



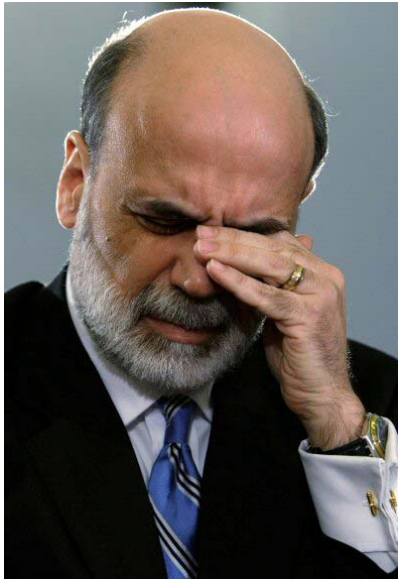
**14% of the economy**



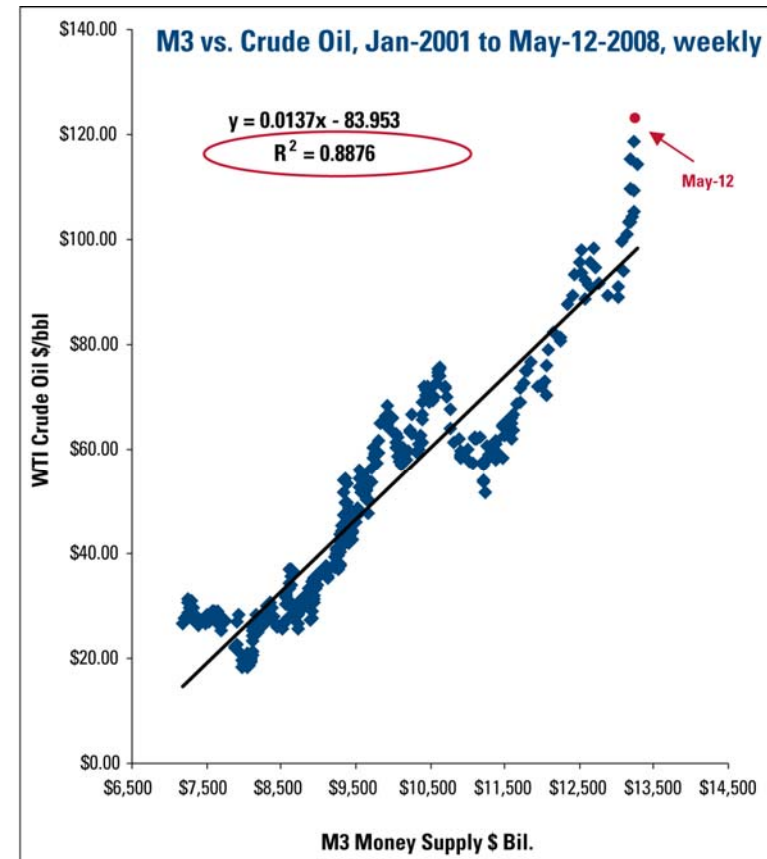
**\$8,000 per private sector employee**



# High Correlation of Oil and Money Supply



Government will likely continue to print money, like the bailout of Fannie Mae and Freddie Mac, to support the economy

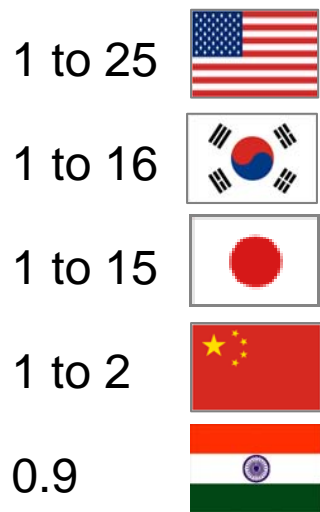


Source: Stifel Nicolaus & Co., BLS, Federal Reserve, WTI crude oil prices. Stifel Nicolaus recreation of Non-M2 M3 data components (not including institutional money funds) after February 2006.

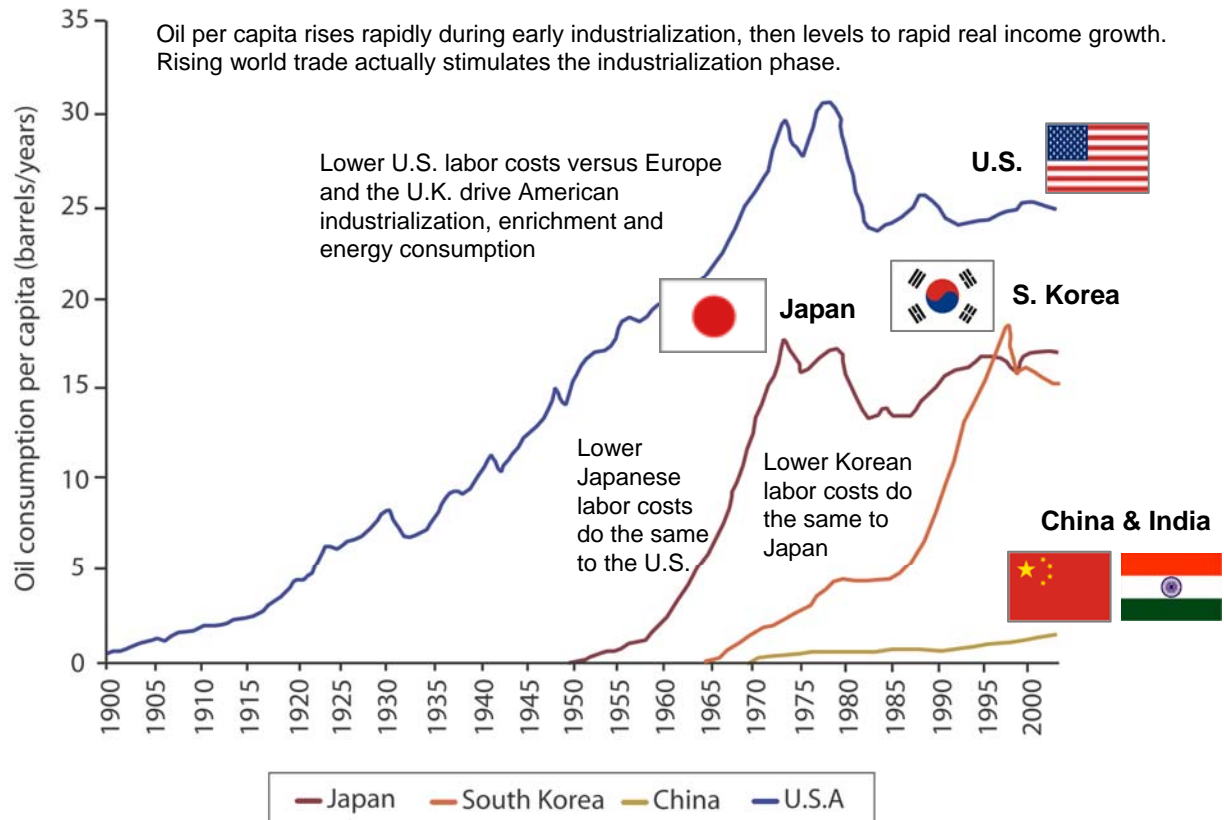


# Super Shift – Energy

## Oil Consumption per capita:



## Oil Consumption and Industrialization, 1900 to present

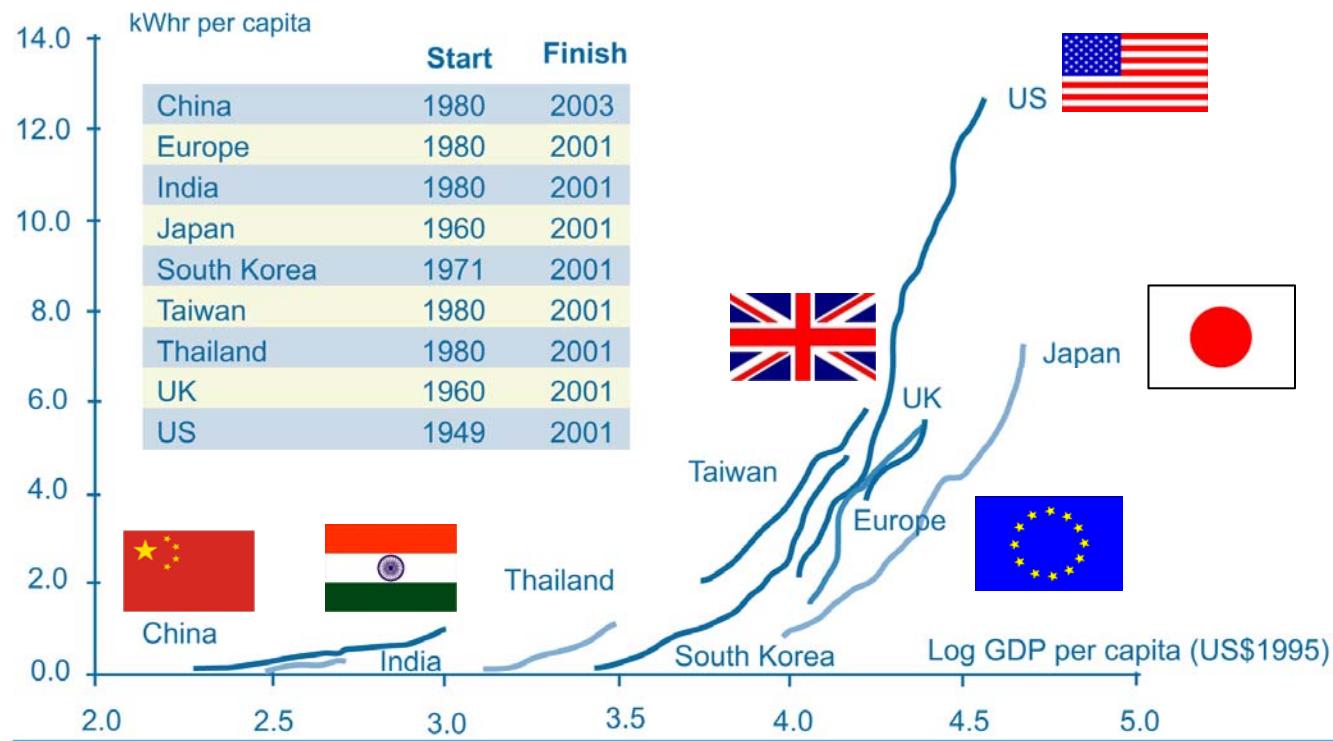


Source: Dr. Marc Faber



# Super Shift – Electricity

## Intensity of electricity consumption



Source: BHPB

Power consumption has been growing faster than the rate of GDP growth.

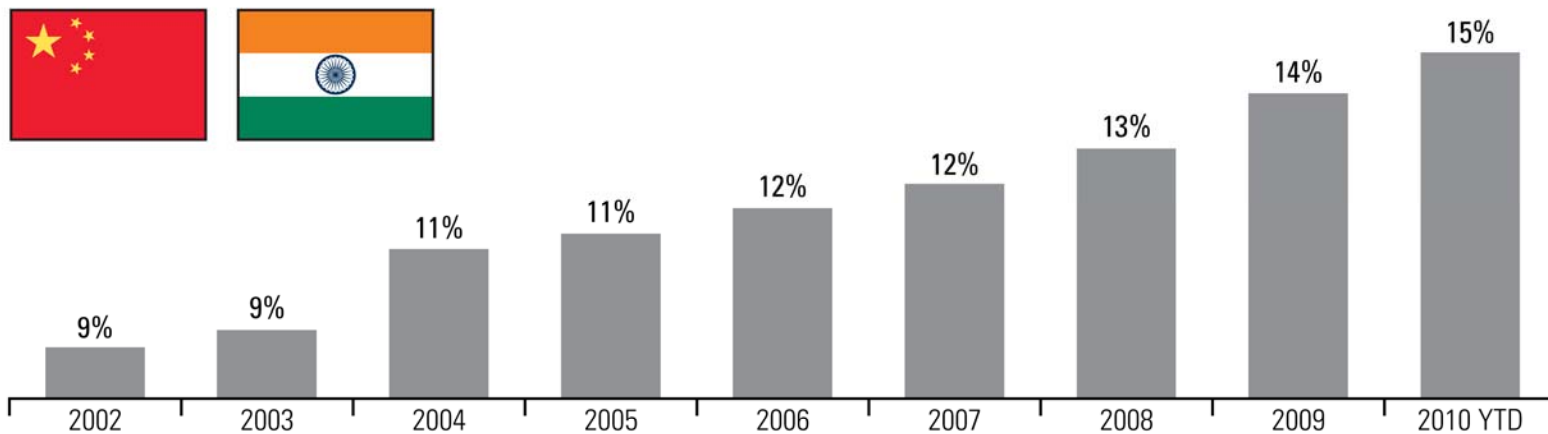




# China and India Increasing Share of Global Oil Demand

## China and India Increasing Share of Global Oil Demand

China & India total oil demand / Global oil demand

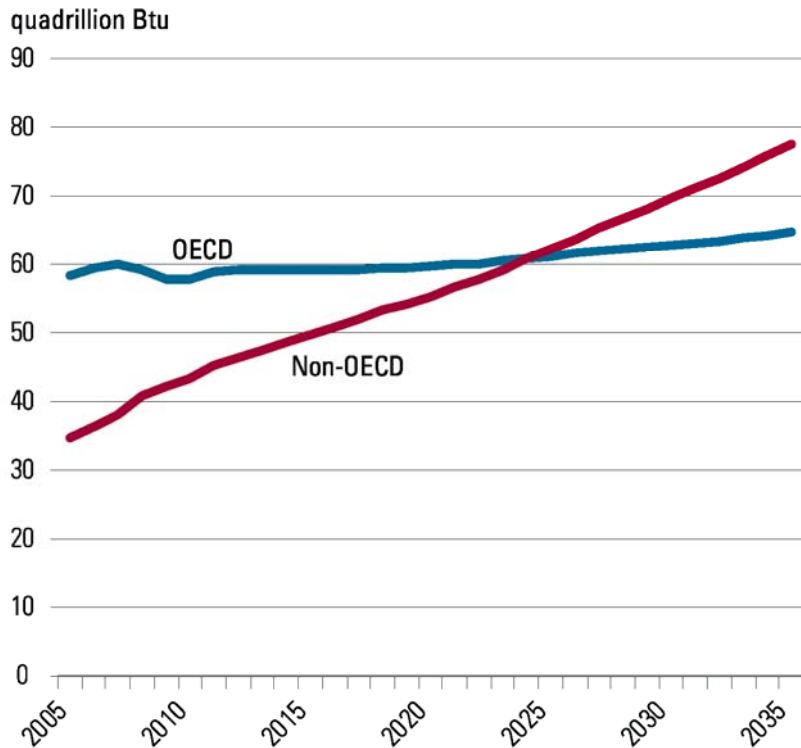


**Source:** India OGP, China National Bureau of Statistics & China General Administration of Customs, IEA, US DOE/EIA, Deutsche Bank



# Cars Driving Oil Demand

## Energy Consumption by the Transportation Sector



The OECD is a collection of 31 countries around the world whose economies are considered developed.

Source: EIA

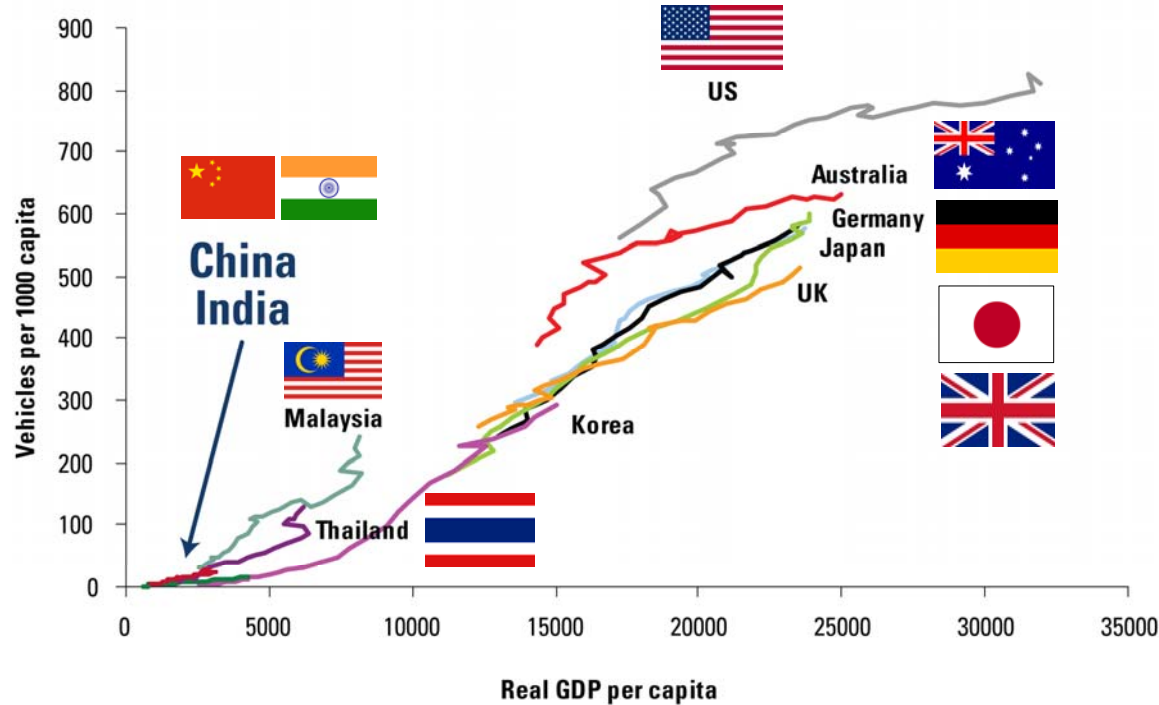


Zhanxi bridge highway, Beijing China



# Huge Pent-Up Demand for Automotive Transportation in the Developing World

The Main Demand Question Remains Unanswered



Source: Nexant

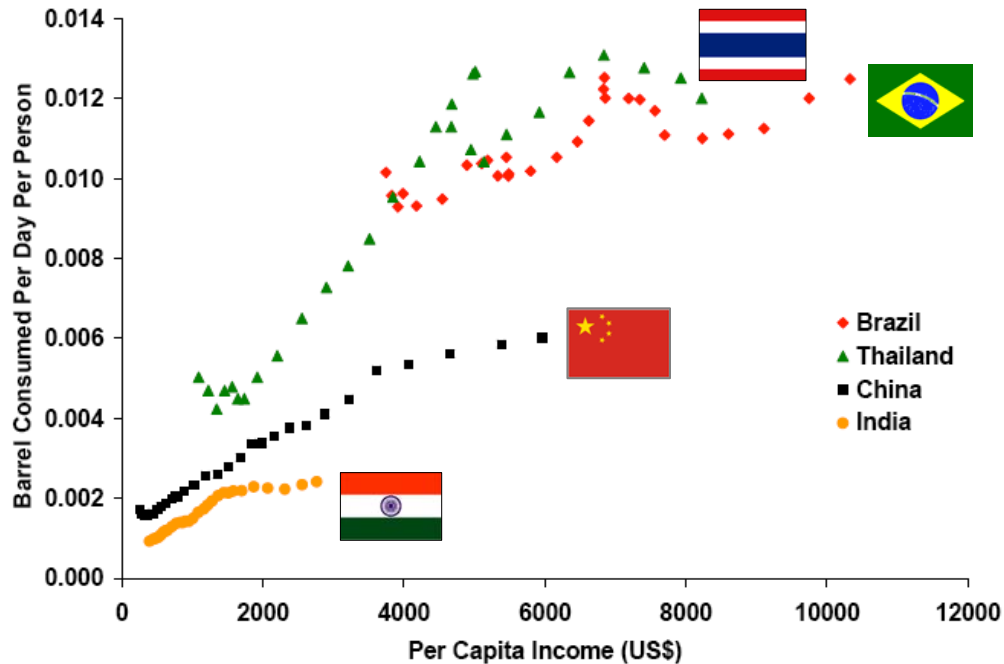


BYD (Build Your Dreams) president Wang Chuanfu sits inside the BYD E6 Electric Car during the North American International Auto Show in Detroit, Michigan January 12, 2009. Source: REUTERS/Mark Blinch



# Oil Consumption Per Day Per Person Vis-à-Vis Per Capita Income

Oil Consumption per day per person vis-à-vis per capita Income



Source: BP Statistical Review of Energy, Bloomberg, Morgan Stanley Research

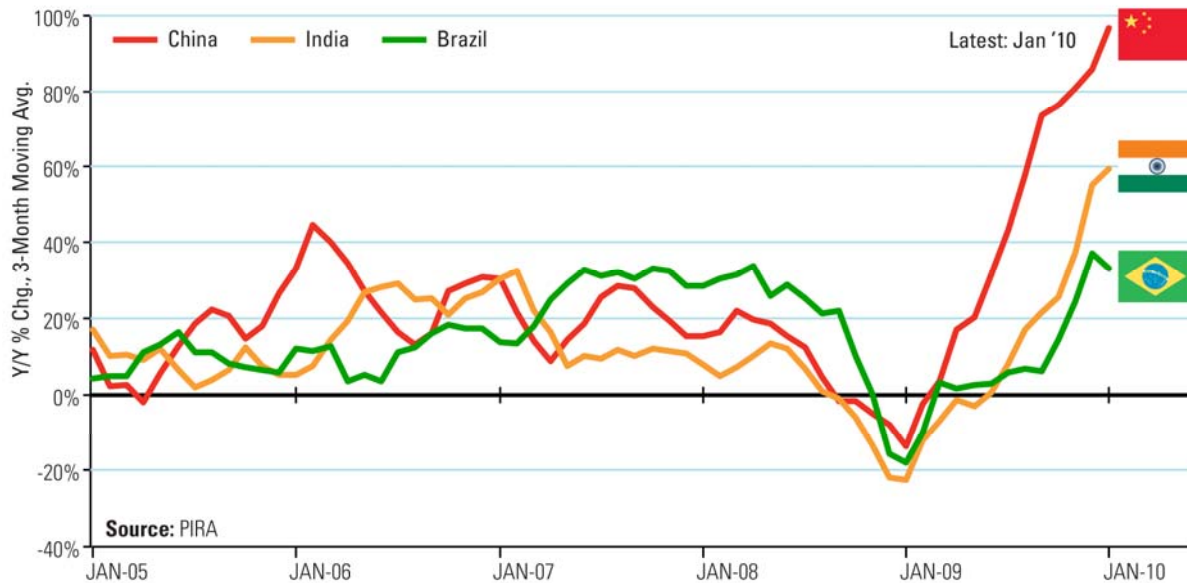


China



# A New Era for Autos

Explosive Growth of Vehicle Sales in China / India / Brazil

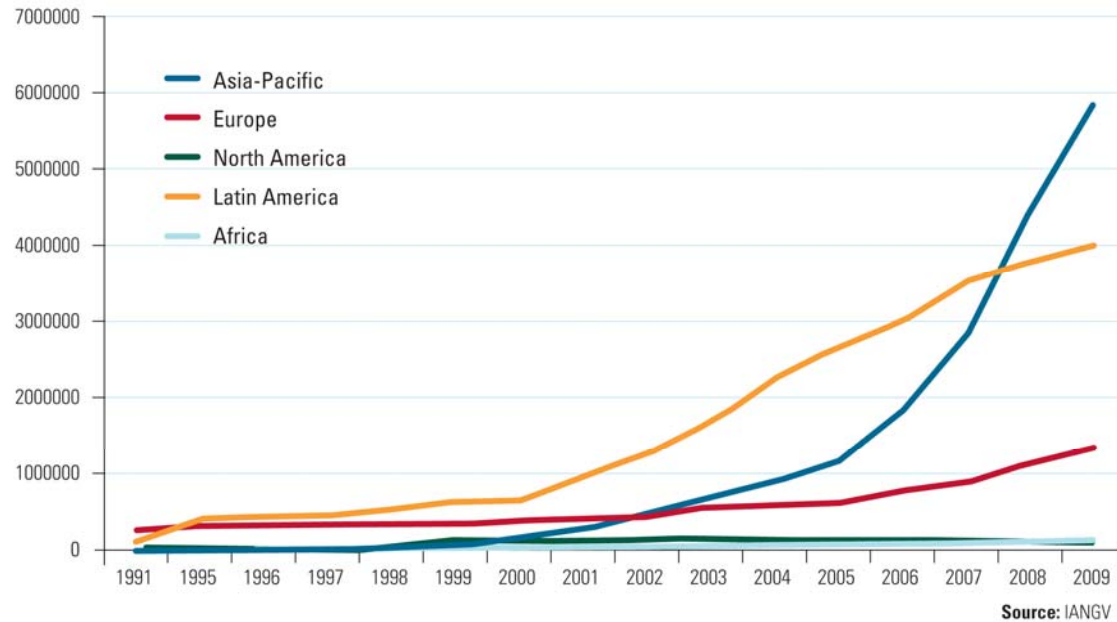


Frank Holmes  
India-Nano Car



# The Future Market for Alternative Cars

**Natural Gas Vehicle Growth by Region**  
1991 - 2008 by number

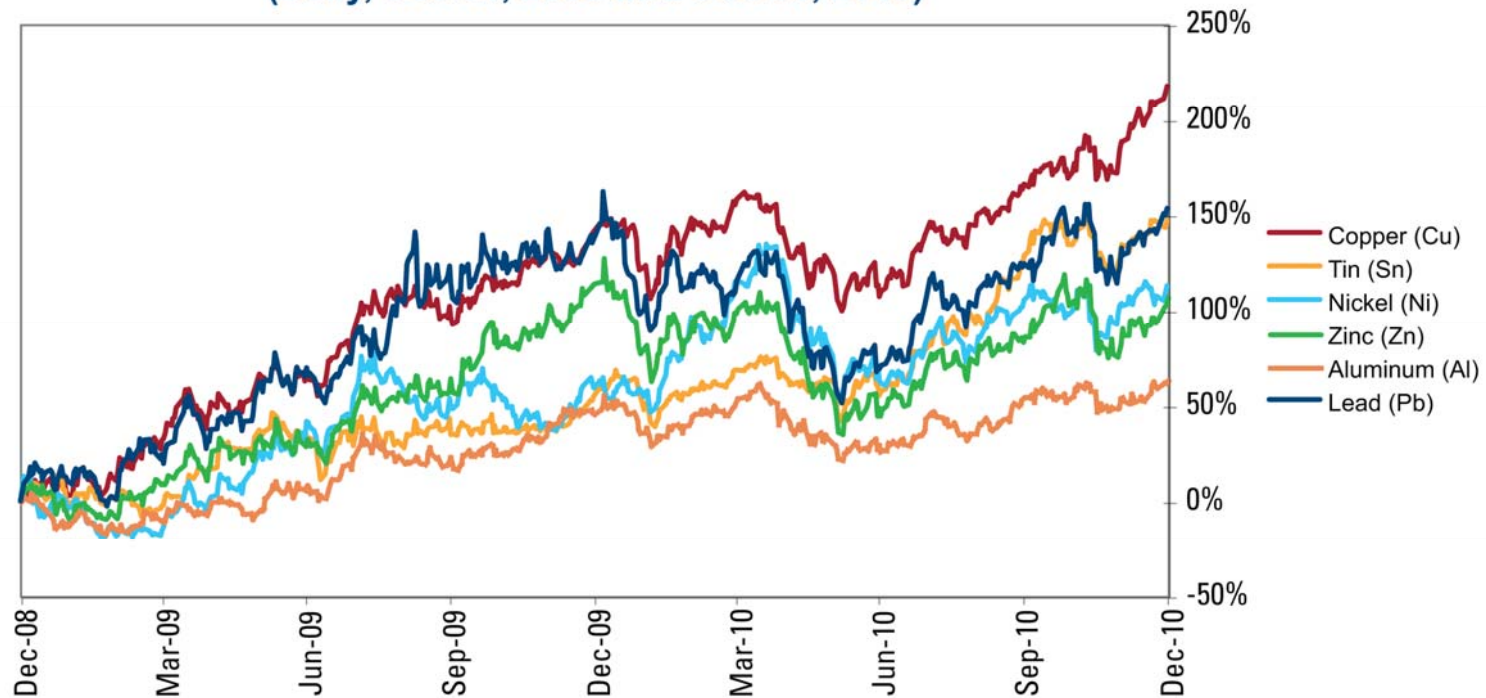


# The Future Market for Alternative Cars



# Tracking Performance of Base Metals

Base Metal Performance Since Late 2008  
(Daily, Dec 31, 2008 thru Dec 31, 2010)

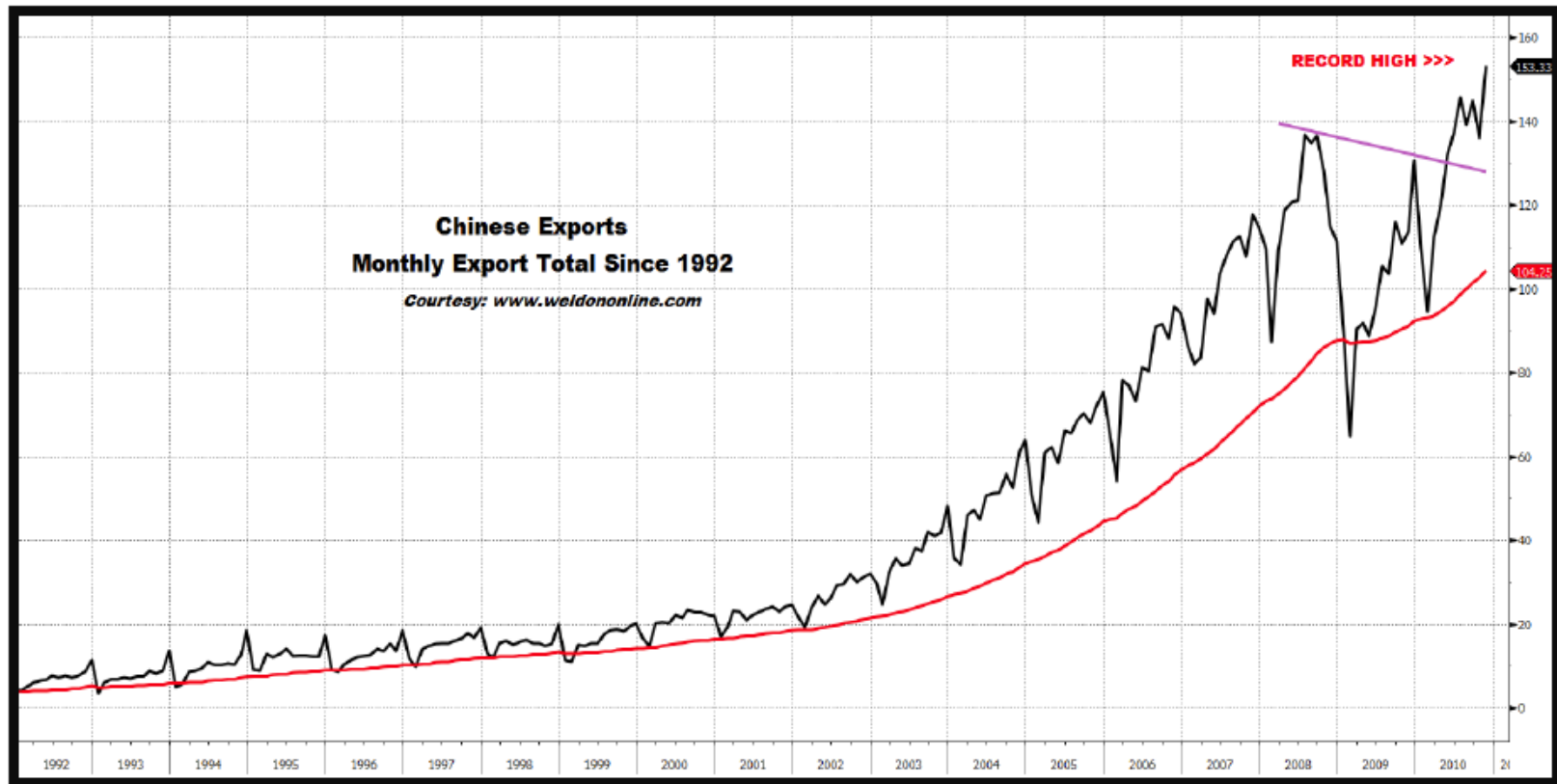


Source: LME, Macquarie Research, September 2010





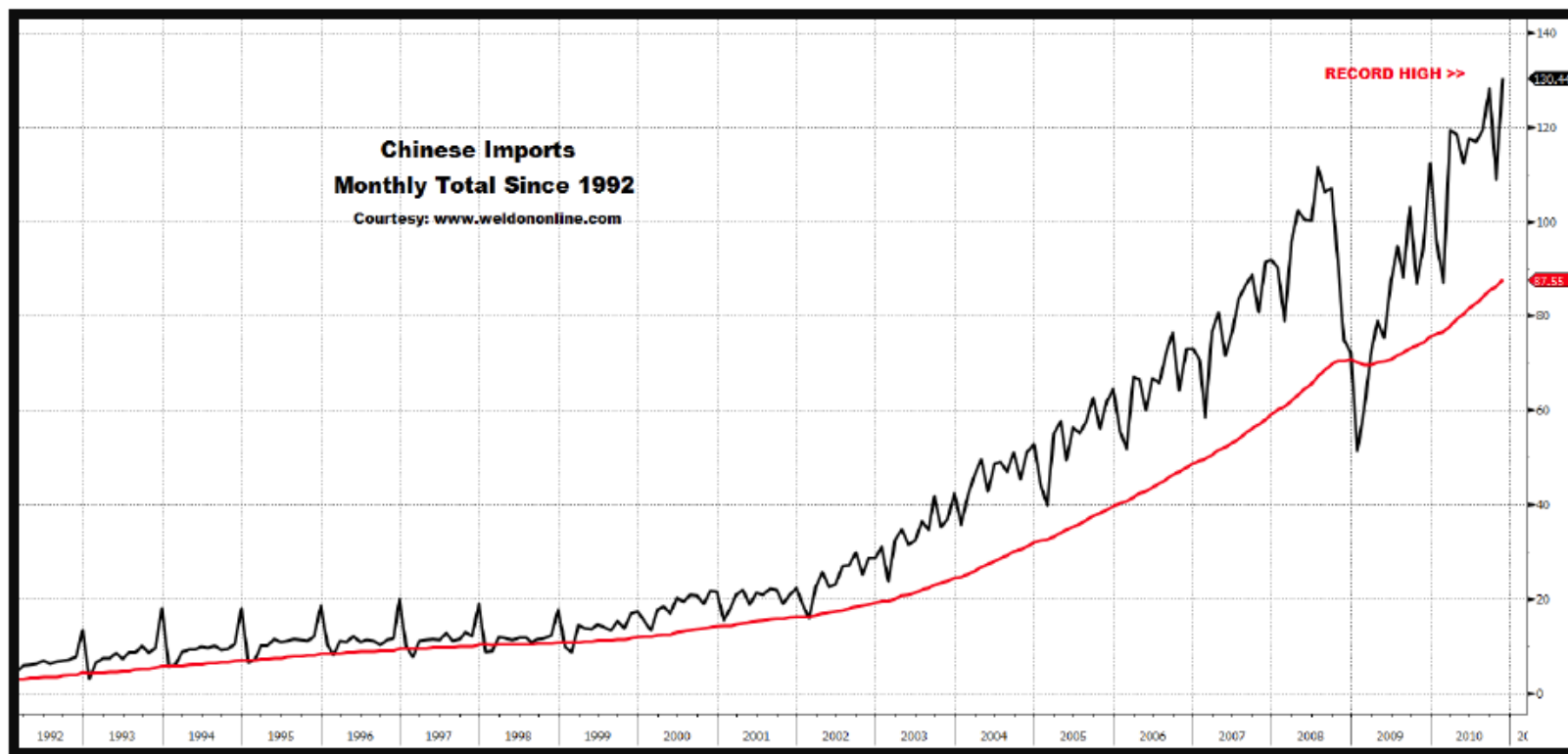
# China Exports



Source: www.weldononline.com



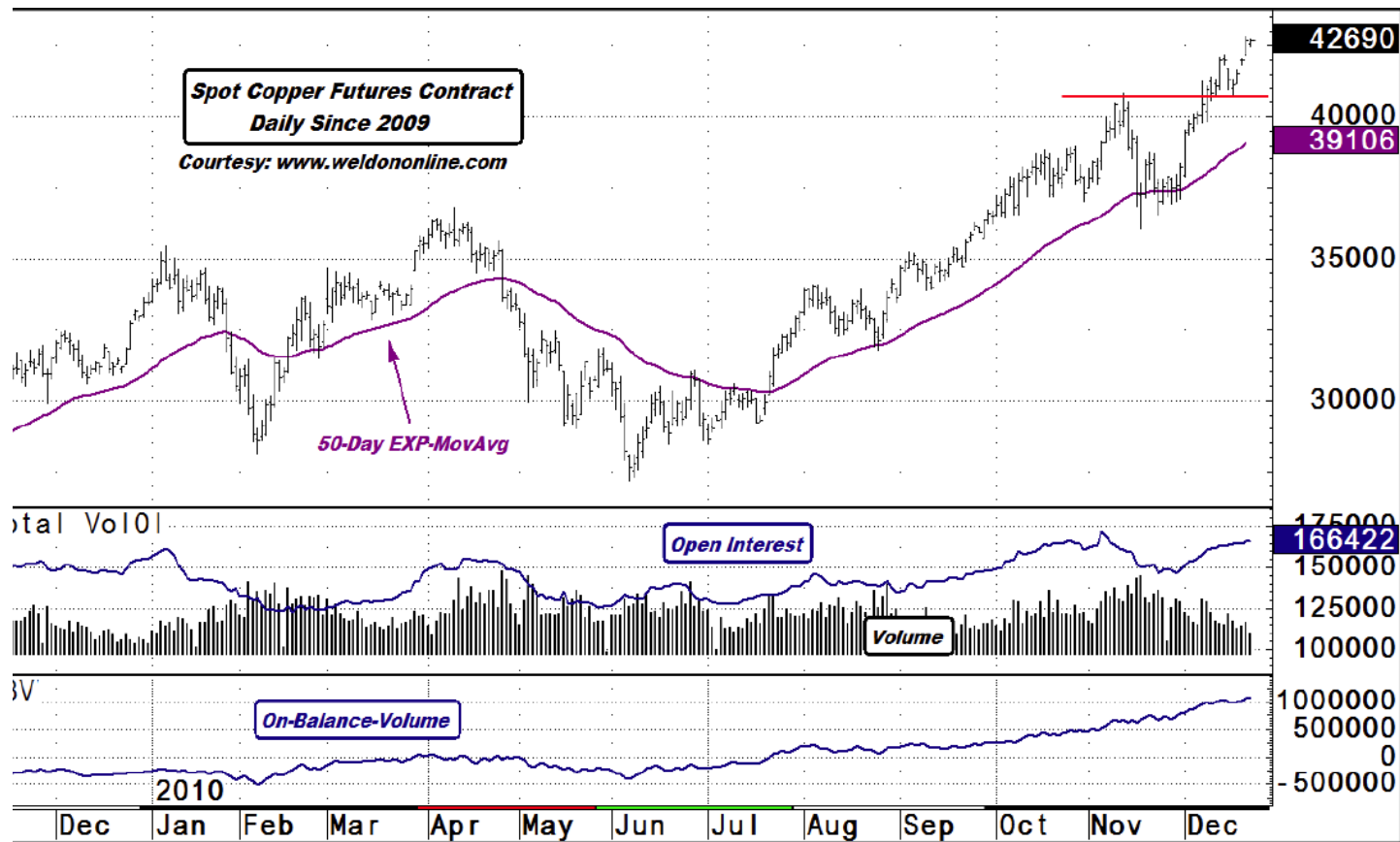
# China Imports



Source: [www.weldononline.com](http://www.weldononline.com)



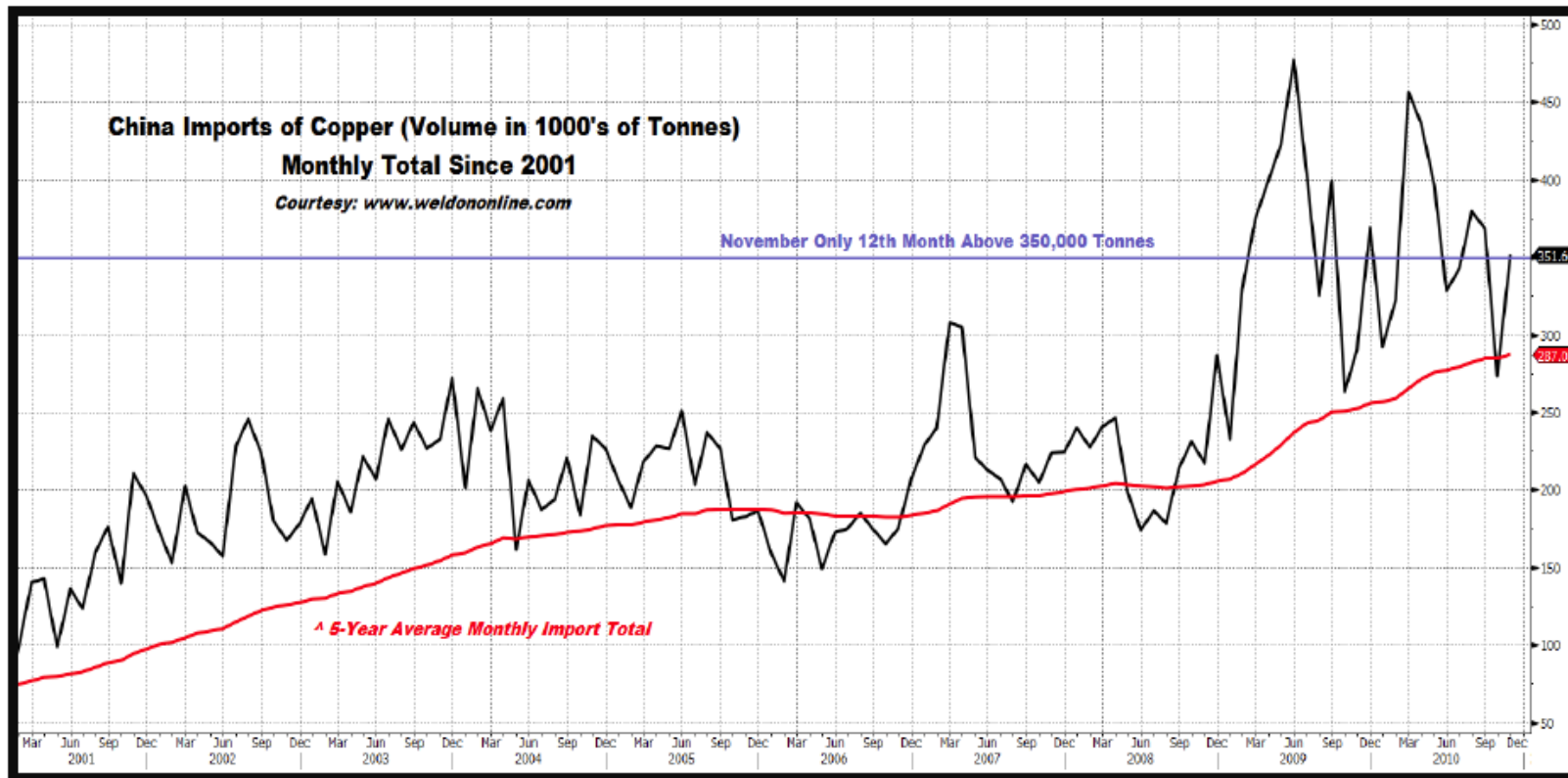
# Copper Demand/Supply Imbalance



Source: www.weldononline.com



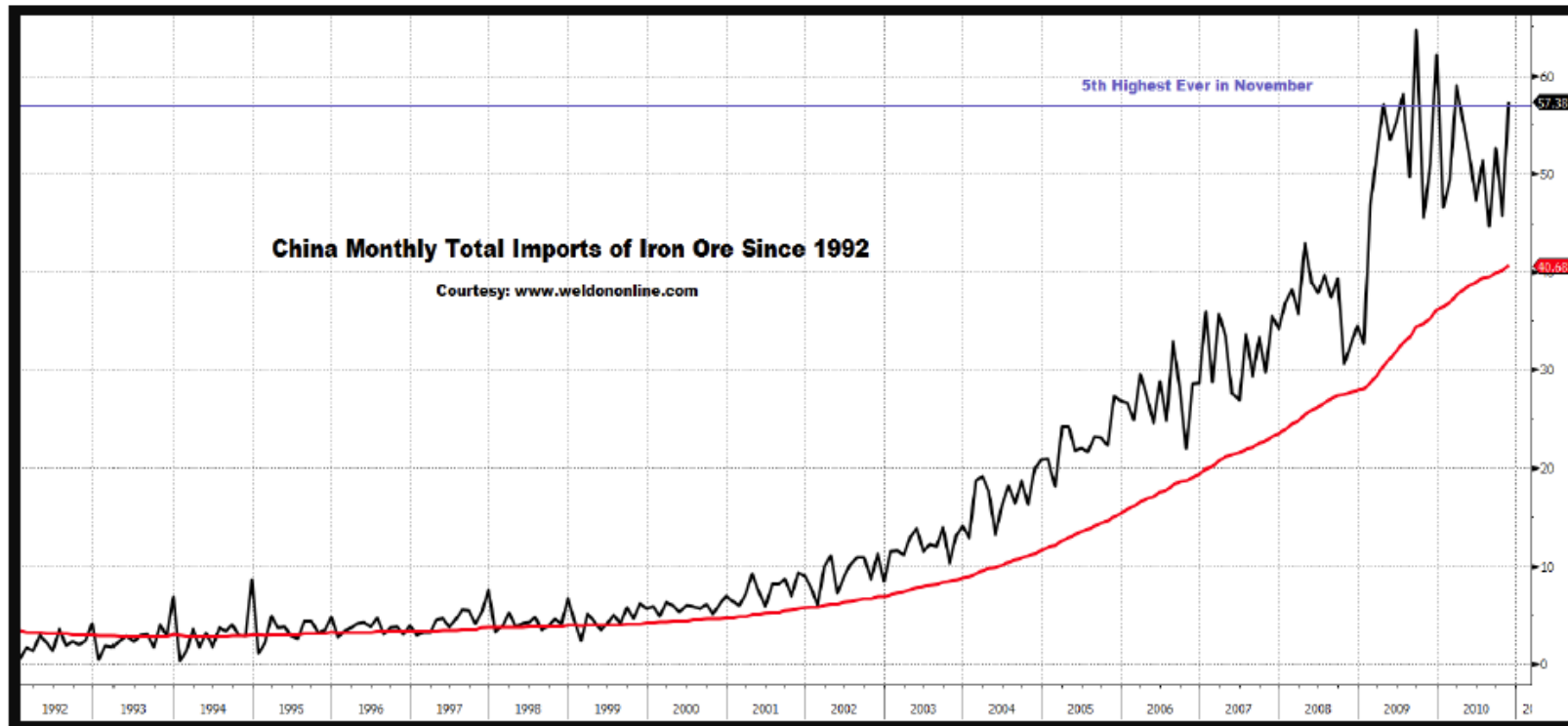
# Copper Imports into China



Source: www.weldononline.com



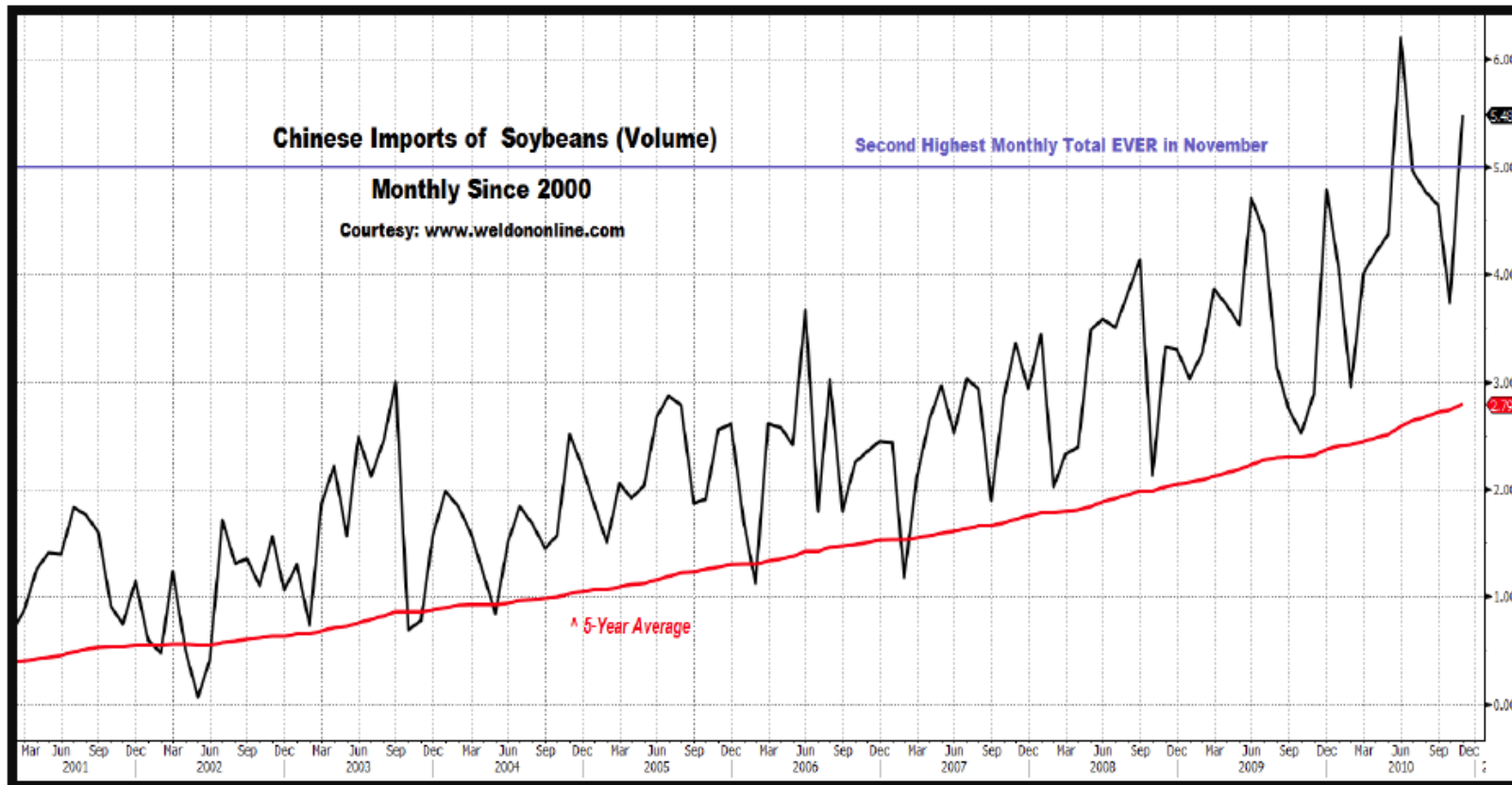
# China Iron Ore Imports



Source: www.weldononline.com



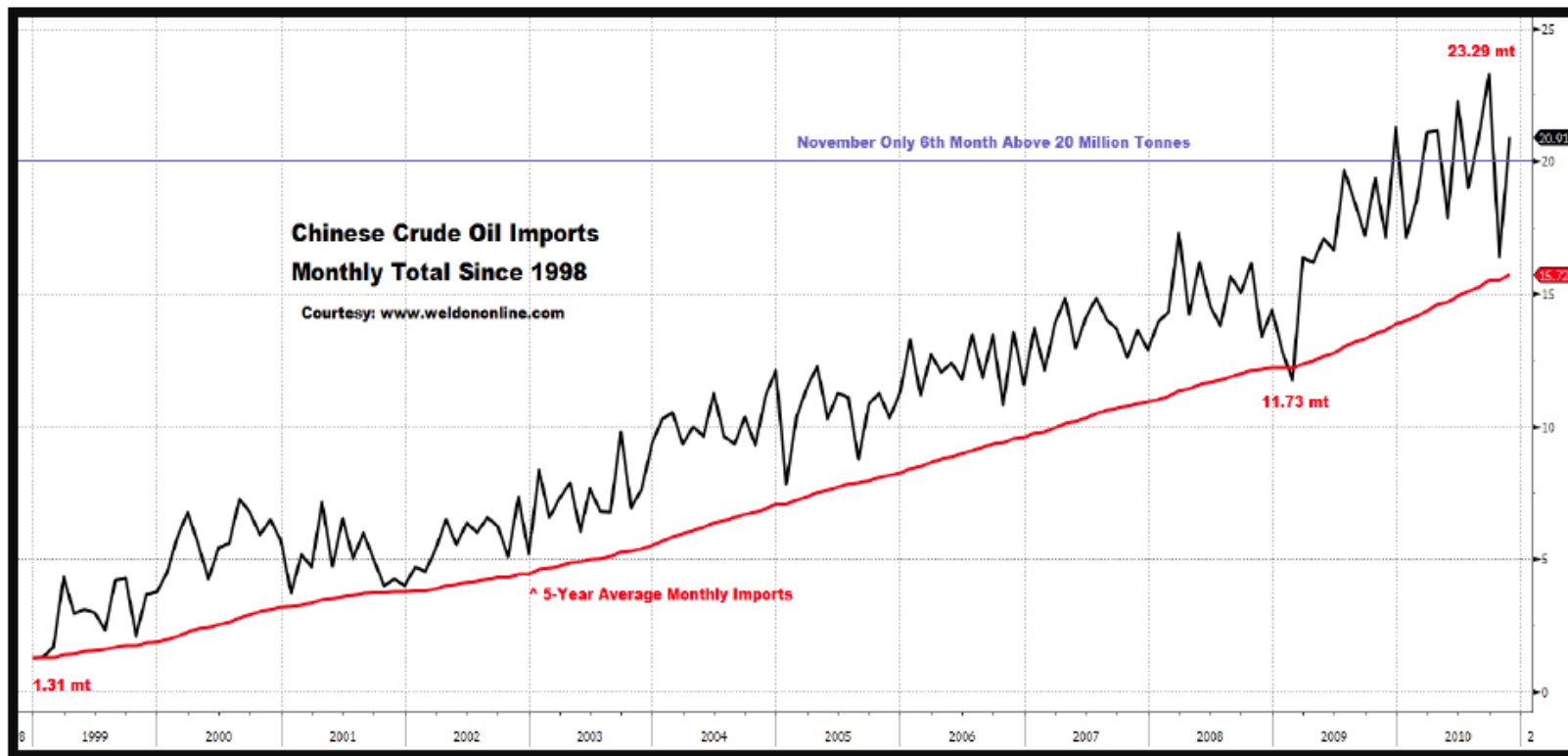
# China Soybeans Imports



Source: www.weldononline.com



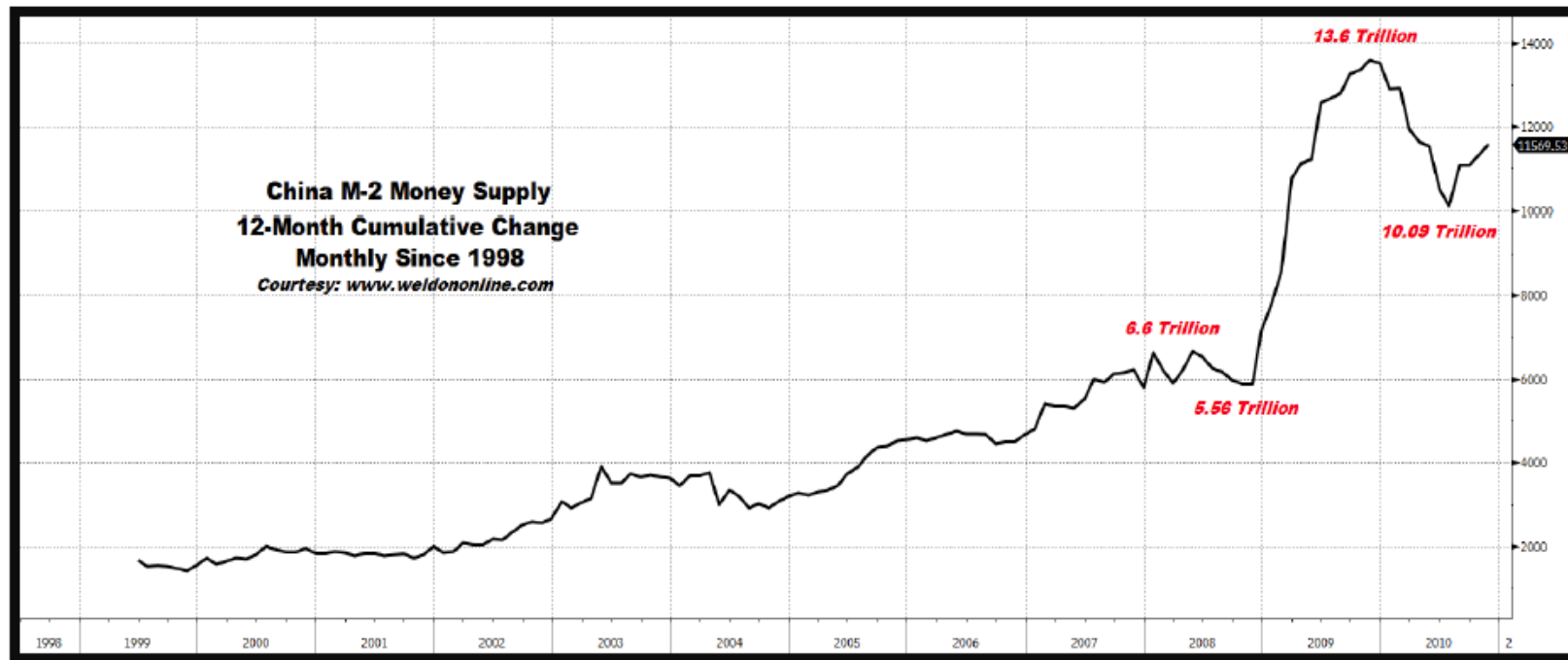
# China Crude Oil Imports



Source: www.weldononline.com



# China M-2 Money Supply

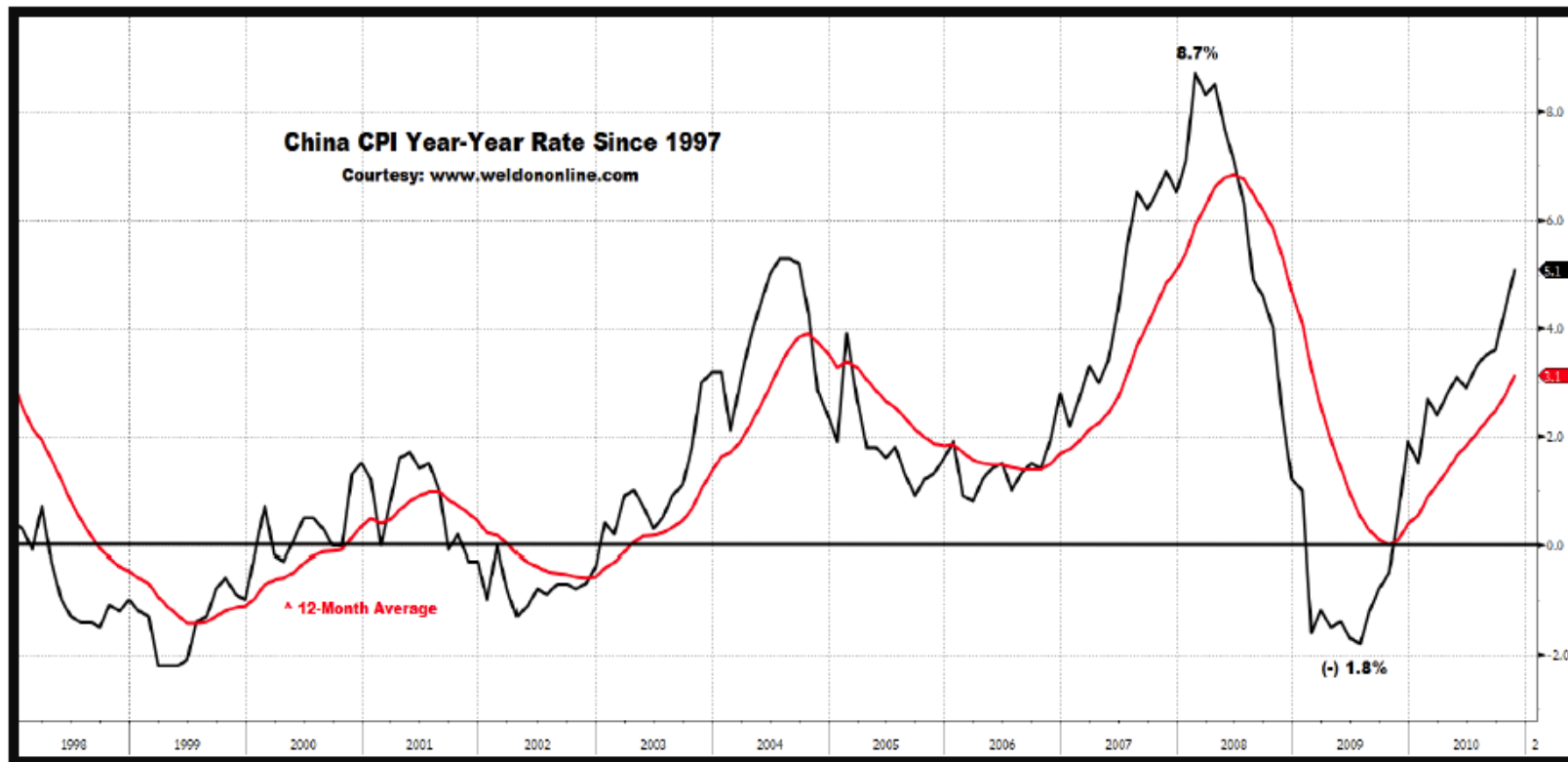


Source: www.weldononline.com





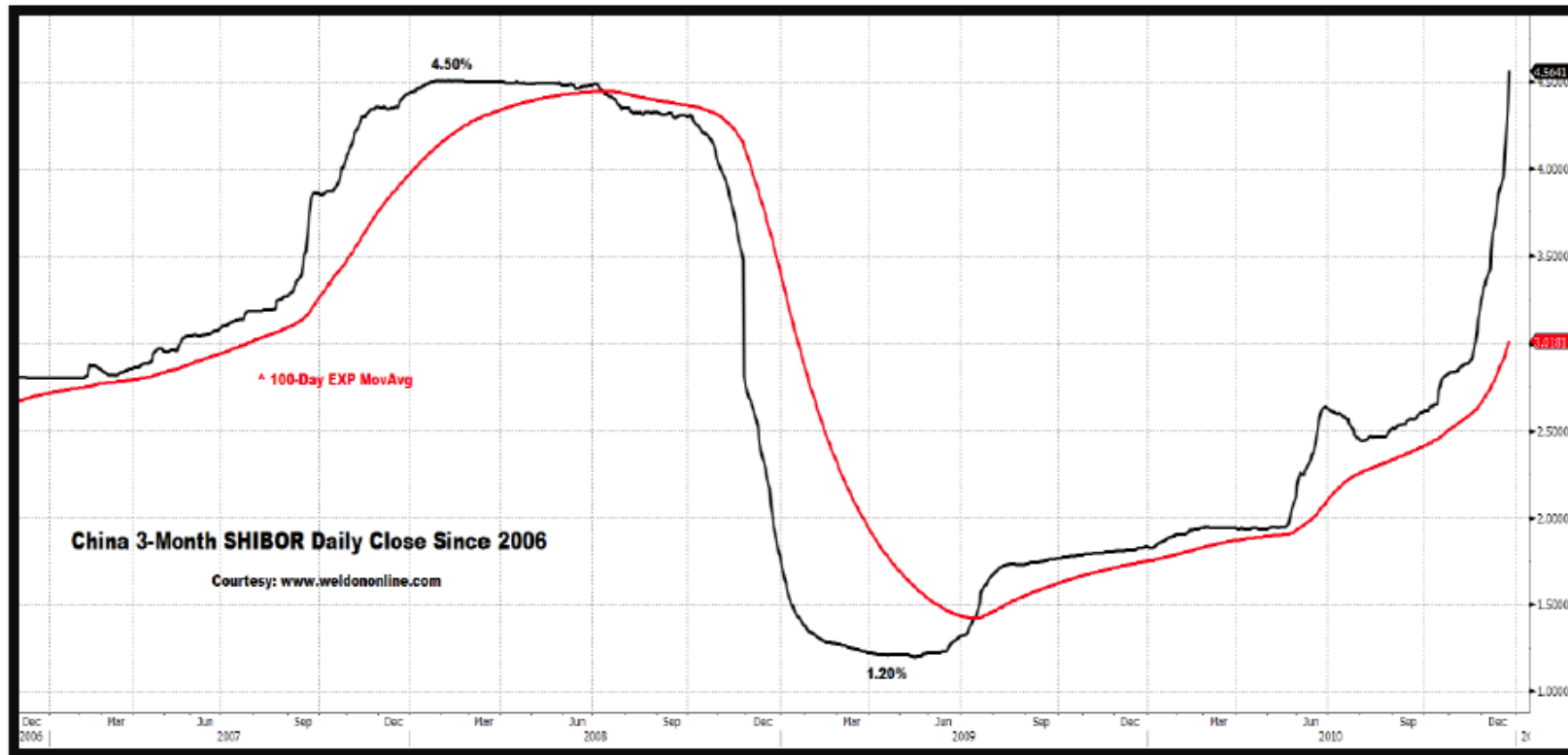
# China Consumer Price Index



Source: [www.weldononline.com](http://www.weldononline.com)



# China — Cost of Money Spikes December 2010

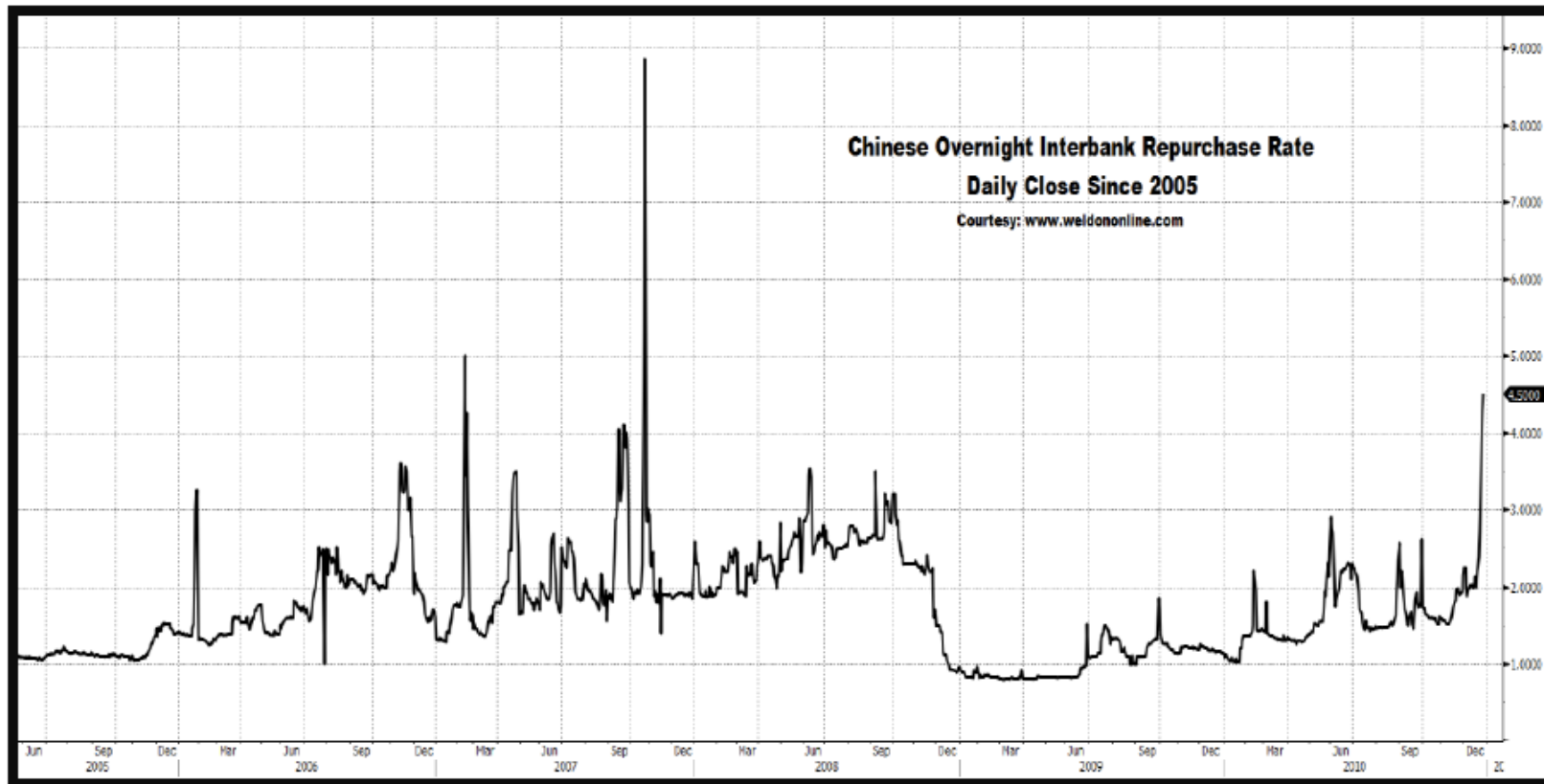


SHIBOR = Shanghai Interbank Offering Rate

Source: www.weldononline.com



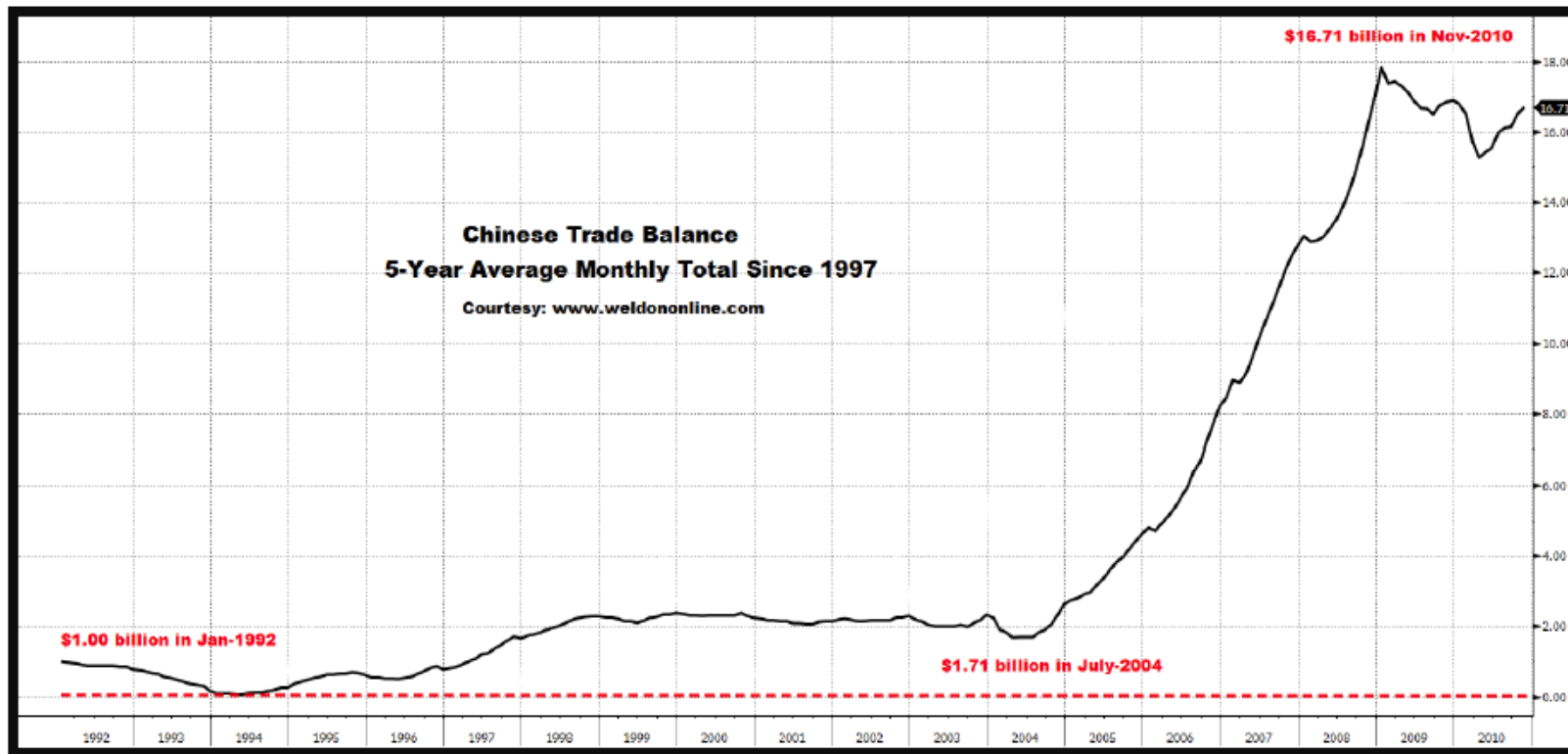
# China Overnight Interbank Lending Spikes



Source: [www.weldononline.com](http://www.weldononline.com)



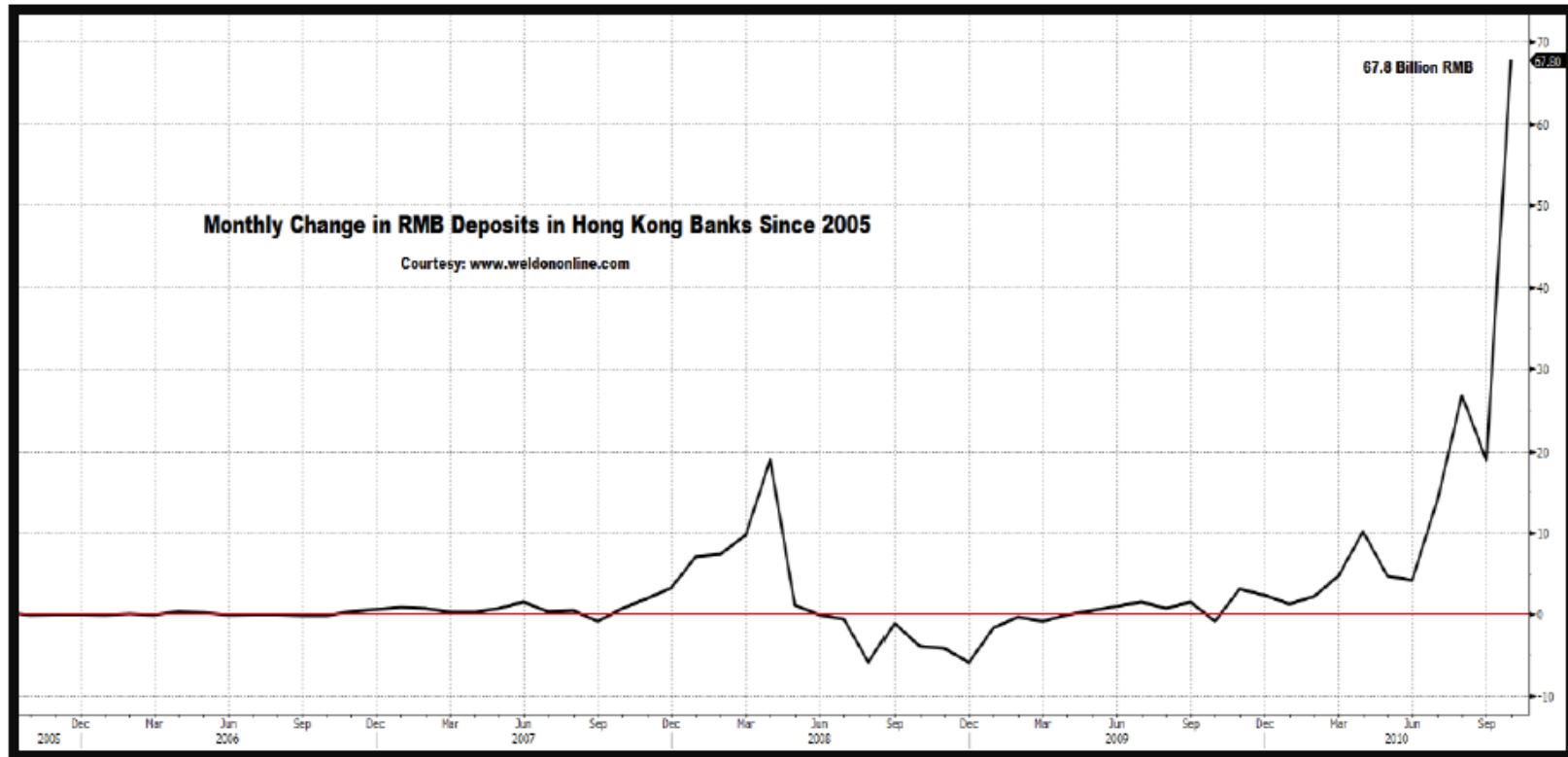
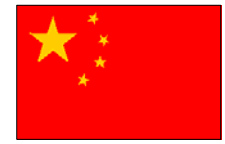
# China — Lots of Cash



Source: [www.weldononline.com](http://www.weldononline.com)



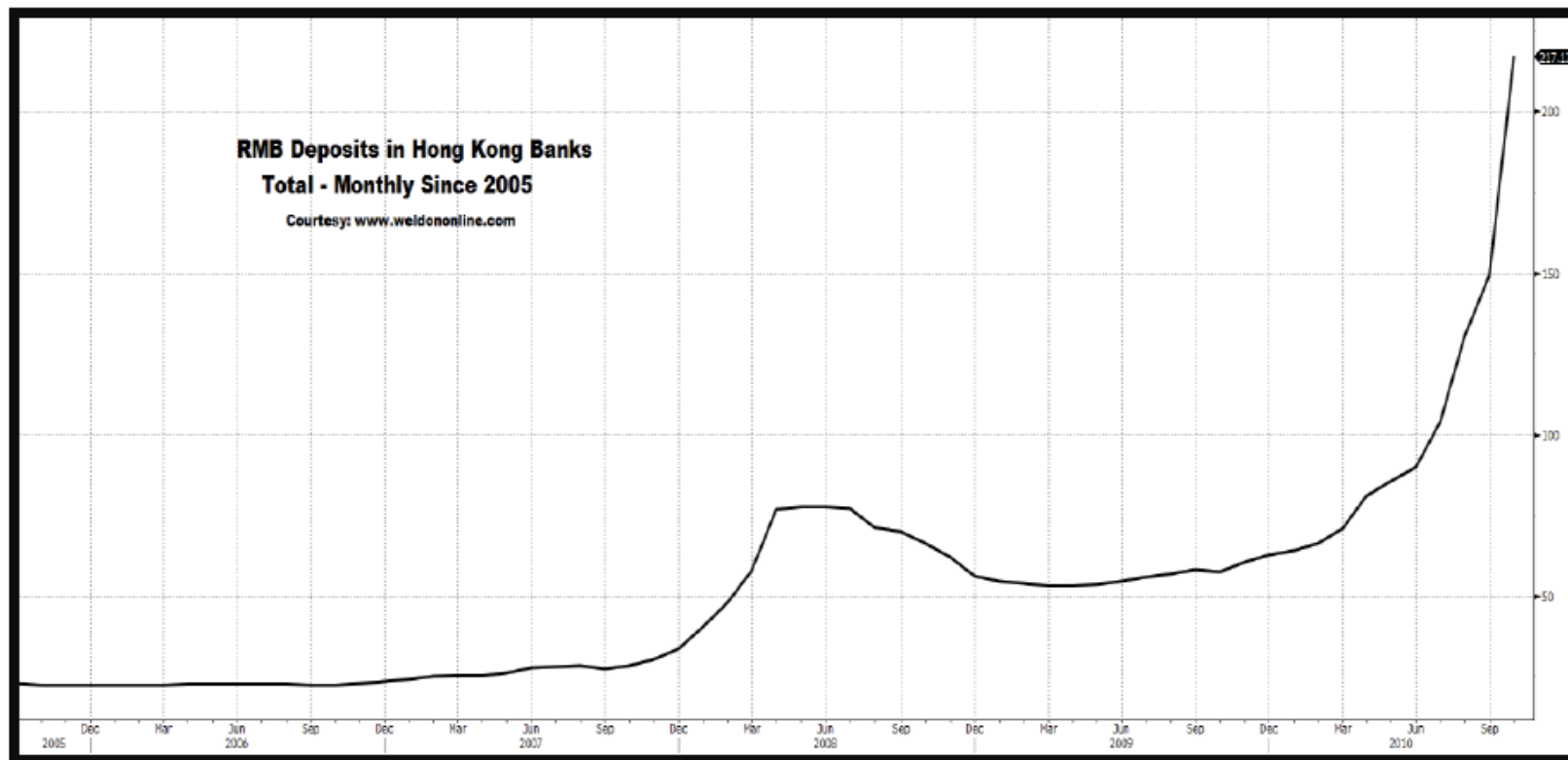
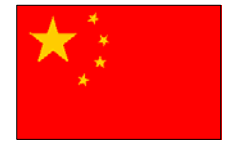
# Money Flows of RMB into Hong Kong



Source: [www.weldononline.com](http://www.weldononline.com)



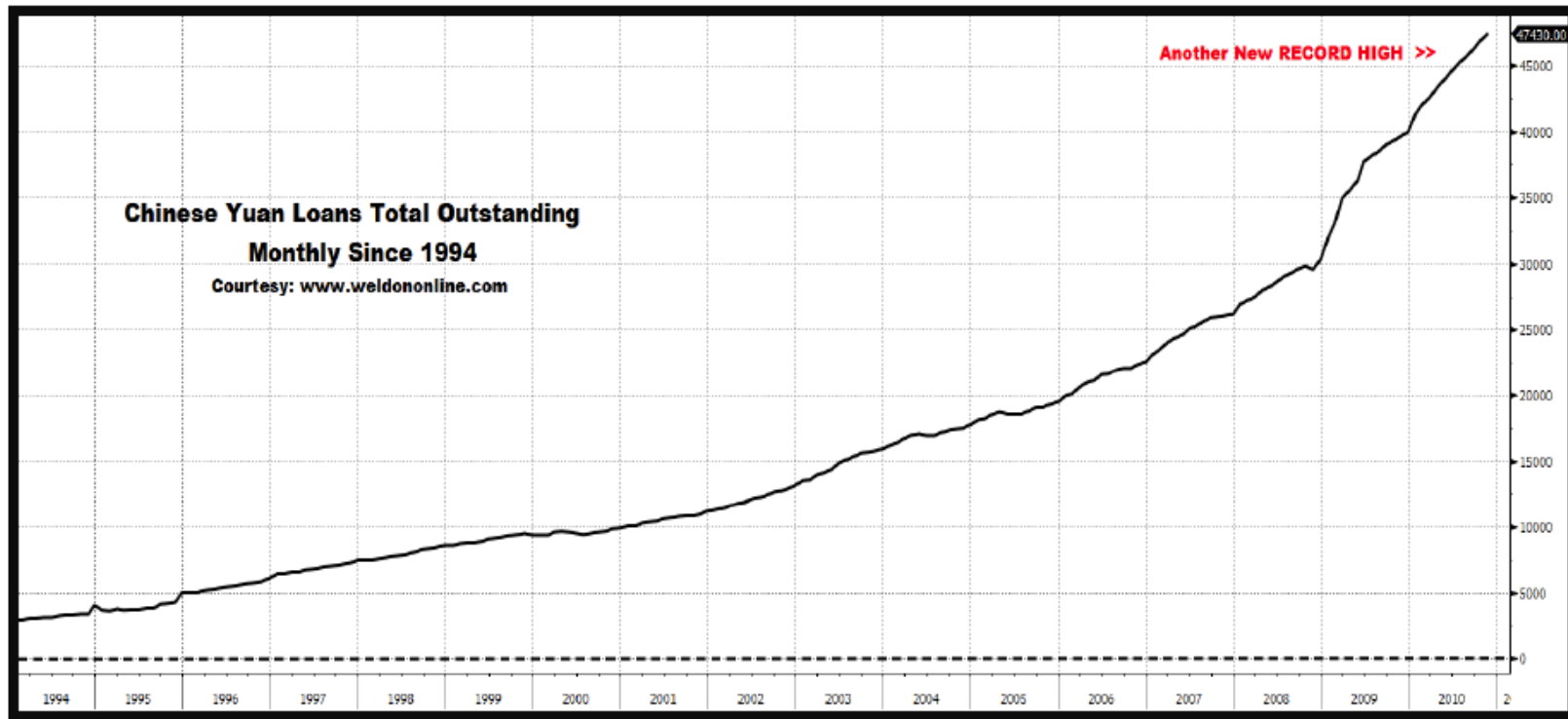
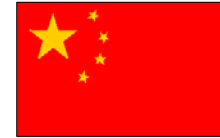
# RMB Deposits Explode in Hong Kong Banks



Source: [www.weldononline.com](http://www.weldononline.com)



# China Lending Remains Robust










Source: [www.weldononline.com](http://www.weldononline.com)



# \$6 Trillion in Infrastructure Over the Next Three Years

## \$6 Trillion in Infrastructure over the Next Three Years

		Construction	Energy & Power	Transport & Logistics	Water & Environment	Housing	Other	Total
	China	0.0	778.0	1,472.0	1,621.0	0.0	0.0	3,871.0
	Russia							500.0
	Middle East/Gulf	314.0	105.0	158.0	9.0	0.0	0.0	586.0
	India	0.0	169.7	80.1	51.1	0.0	1.5	303.0
	Brazil	0.0	251.0	56.0	17.0	150.0	43.0	517.0
	Mexico	0.0	83.0	28.0	11.0	0.0	18.0	140.0
	South Africa	0.0	54.0	13.0	2.0	6.0	40.0	115.0
	Turkey	0.0	20.0	100.0	0.0	26.0	41.0	187.0
	CEE	0.0	6.9	26.6	4.3	0.0	3.8	41.6
<b>Total</b>	<b>Average</b>	<b>314.0</b>	<b>1,467.6</b>	<b>1,933.7</b>	<b>1,715.4</b>	<b>182.0</b>	<b>147.3</b>	<b>6,260.6</b>

Source: BofA Merrill Lynch Global Research, Country Sources

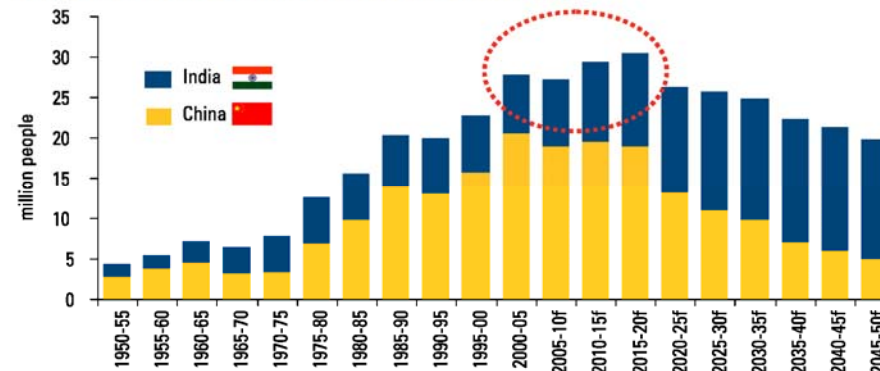




# Asia's Infrastructure Opportunity

## \$6 Trillion?

Combined Chinese and Indian Urbanization Trend

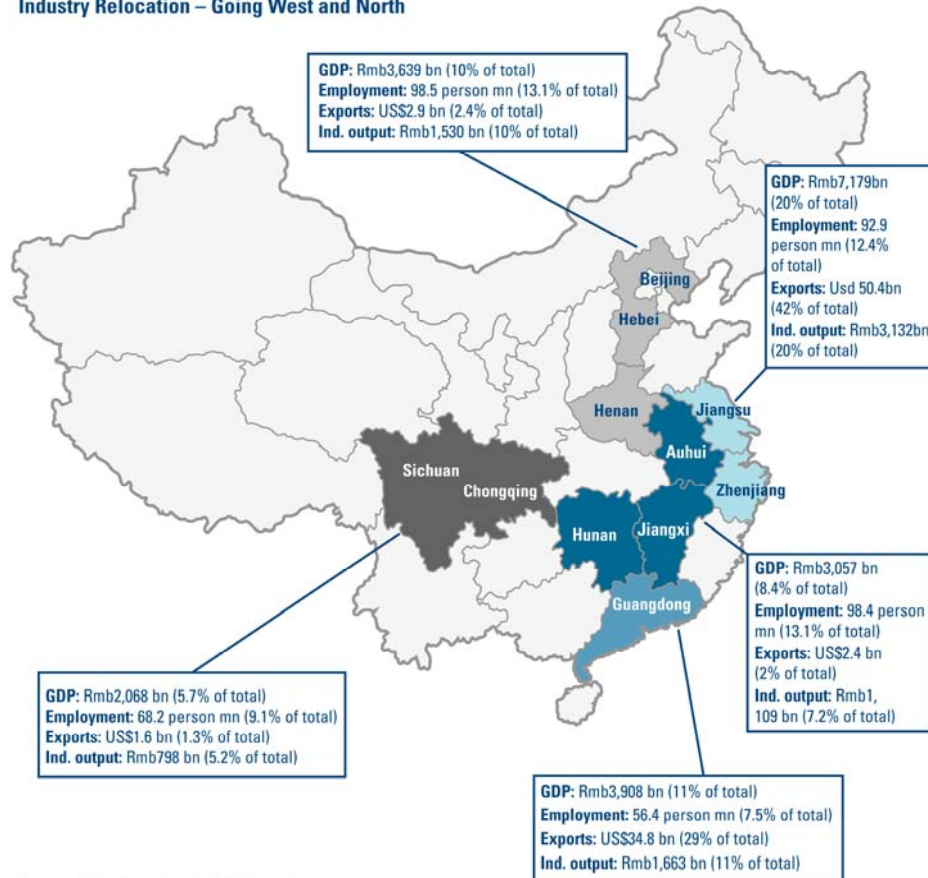


Source: United Nations, McKinsey, Macquarie Research, September 2008



# Industry Relocation — Going West and North

Industry Relocation – Going West and North



Source: CLSA, James Lang LaSalle Research



# Inward Looking



## Chinese provinces with higher-than-average 2H08 fixed asset investment (FAI) growth



China

Source: CLSA Asia-Pacific Markets



# High Speed Rail Network — Planned and Operating



## China's High Speed Rail Plans Set Stage for More Consumption



Source: MoR, Nomura International (Hong Kong) Limited



China

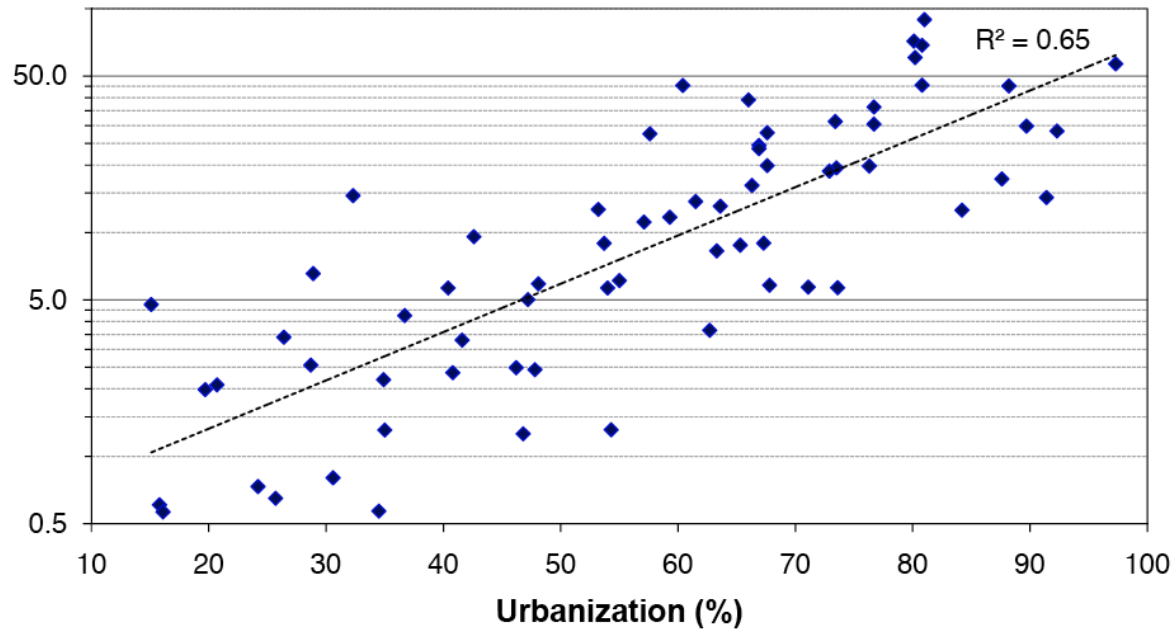


# Infrastructure Spending and Oil Demand March Together

Barrels of Oil per Day/1000

BOD/1000  
(Log Scale)

Oil Use Per Capita  
vs. Urbanization



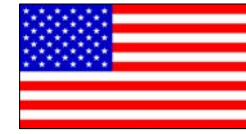
China

Source: PIRA

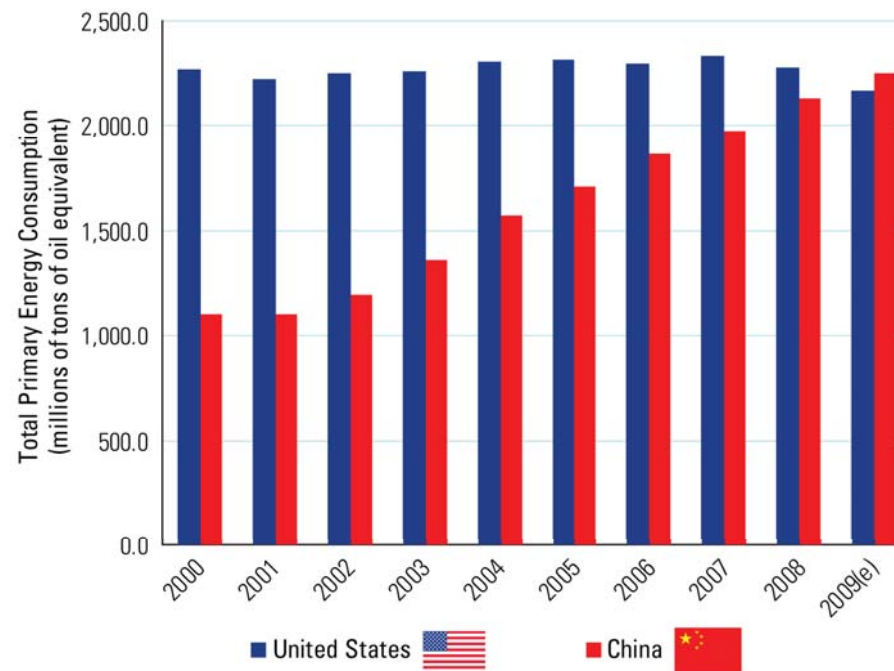


[www.usfunds.com](http://www.usfunds.com)  
January 2011 | 11-026

# A New Age of Energy



Energy Usage Declines in the U.S. While China Gains

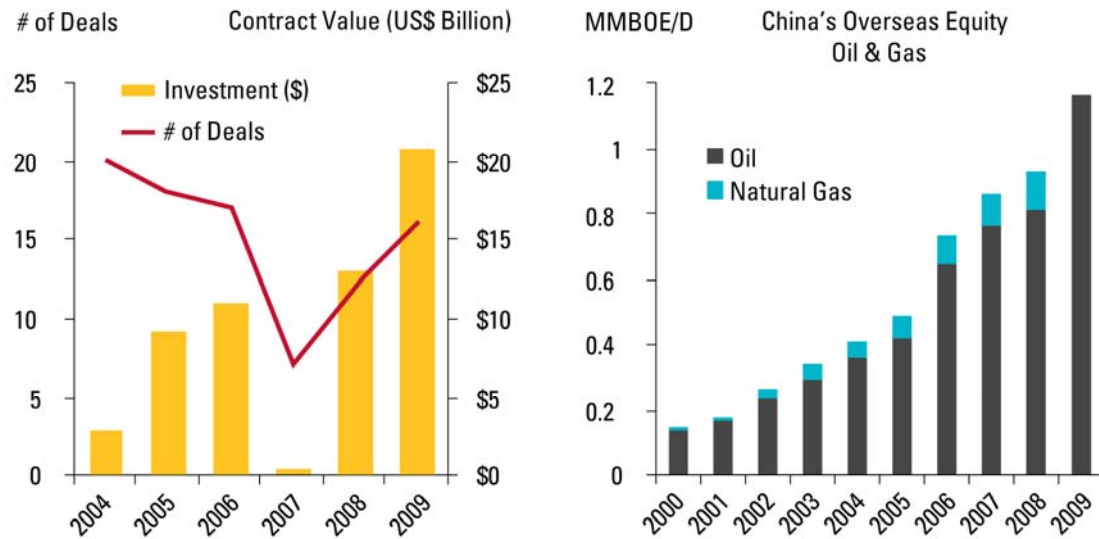


Source: International Energy Agency, WSJ



# China's Overseas Oil and Gas Activity Rebounds

China's Overseas Oil and Gas Activity Rebounds



Source: PIRA  
 \*2009 contact value does not include \$50B in oil backed loans.



# Luxury Demand Across China



Source: CLSA, James Lang LaSalle Research



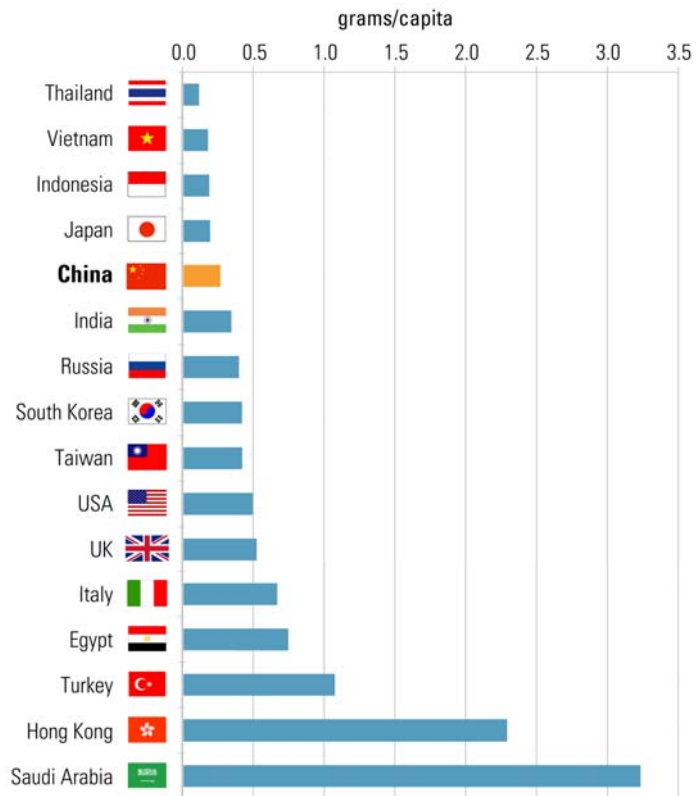
Cartier Store in Shanghai  
Source: Getty





# China is Gold's Future

Consumption of Gold Jewelry Around the World



Note: Jewelry data in this chart refers to consumption not fabrication.

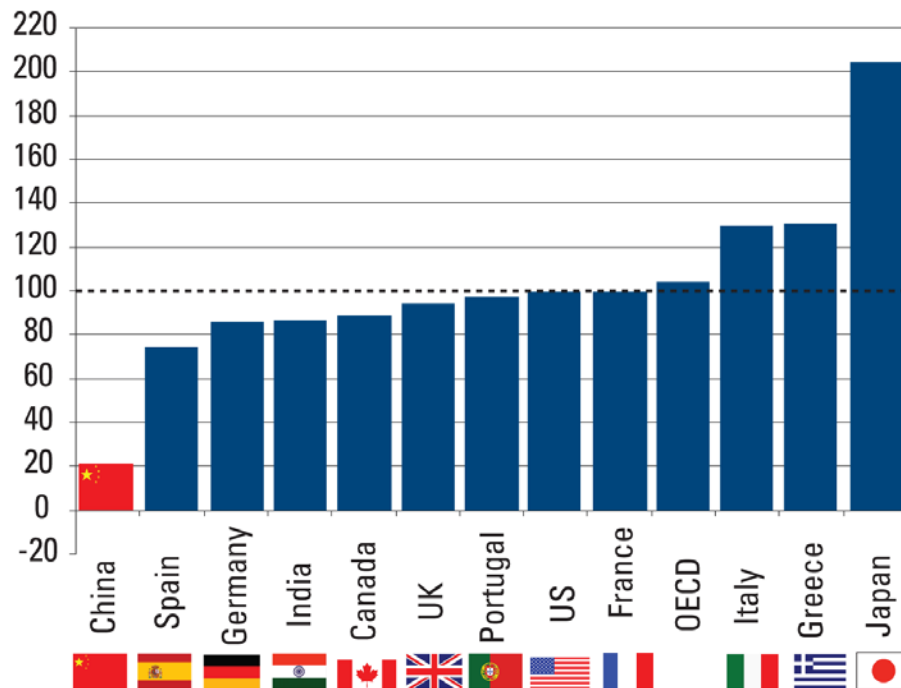
Source: GFMS, IMF, WGC estimates



# Why More Investors Like Gold

## Gross Financial Liabilities

% of nominal GDP-Projected for 2011



Source: OECD, Dundee Wealth Economics



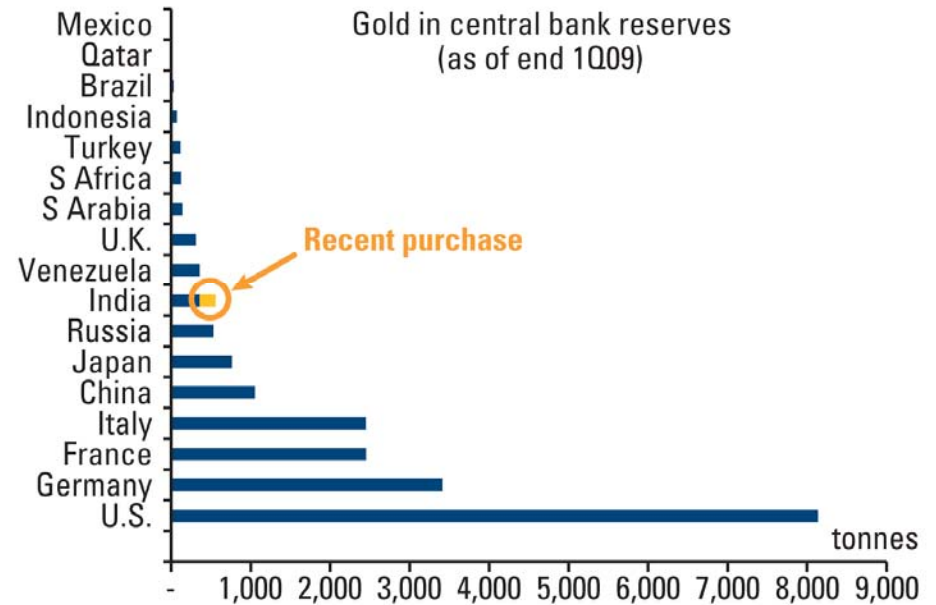
# India — From Price Taker to Price Maker



Scene from *Slumdog Millionaire*

Source: padanisaa.blogspot.com

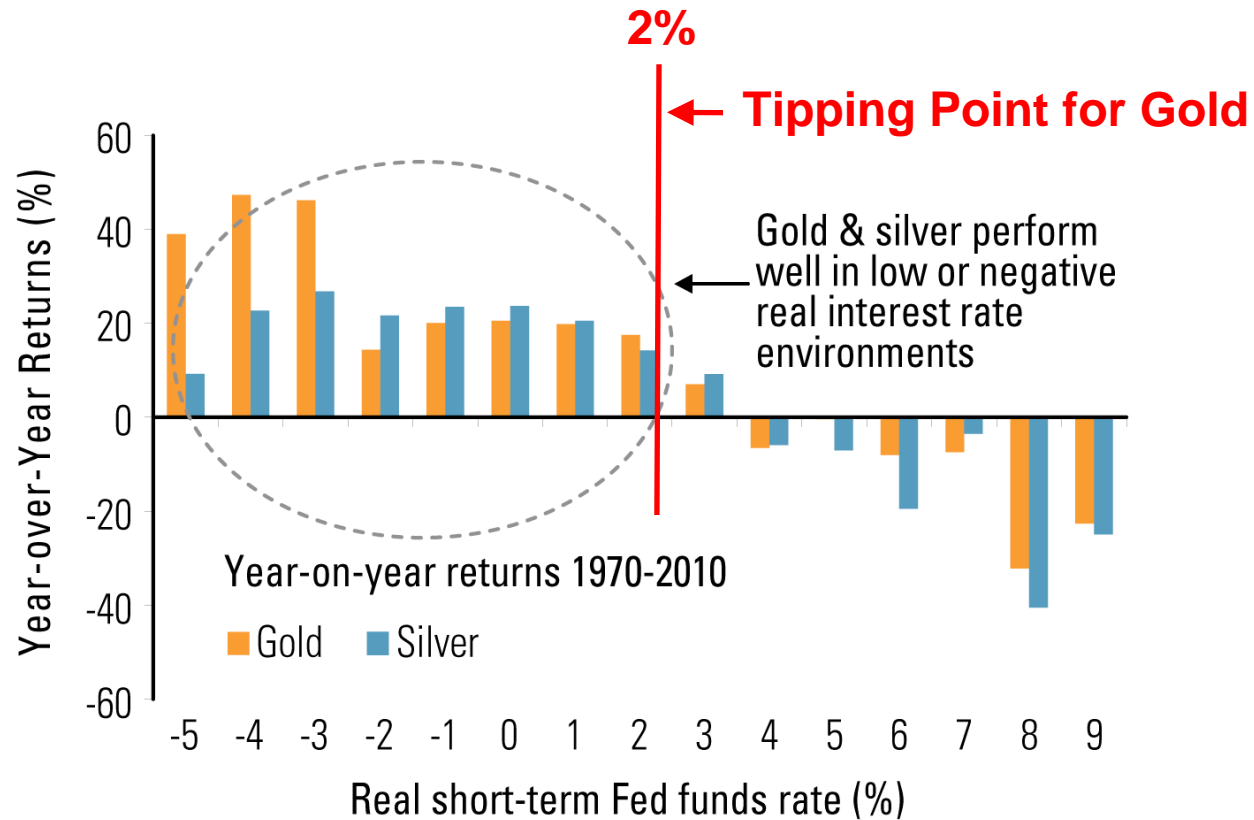
**India's gold purchase reflects a growing emerging markets central bank preference for physical assets over fiat currencies in FX reserves**



**Source:** World Gold Council, BofA Merrill Lynch Global Commodity Research



# Low Real Interest Rates Historically Fuel Gold & Silver



Source: Bloomberg Finance LP, Deutsche Bank

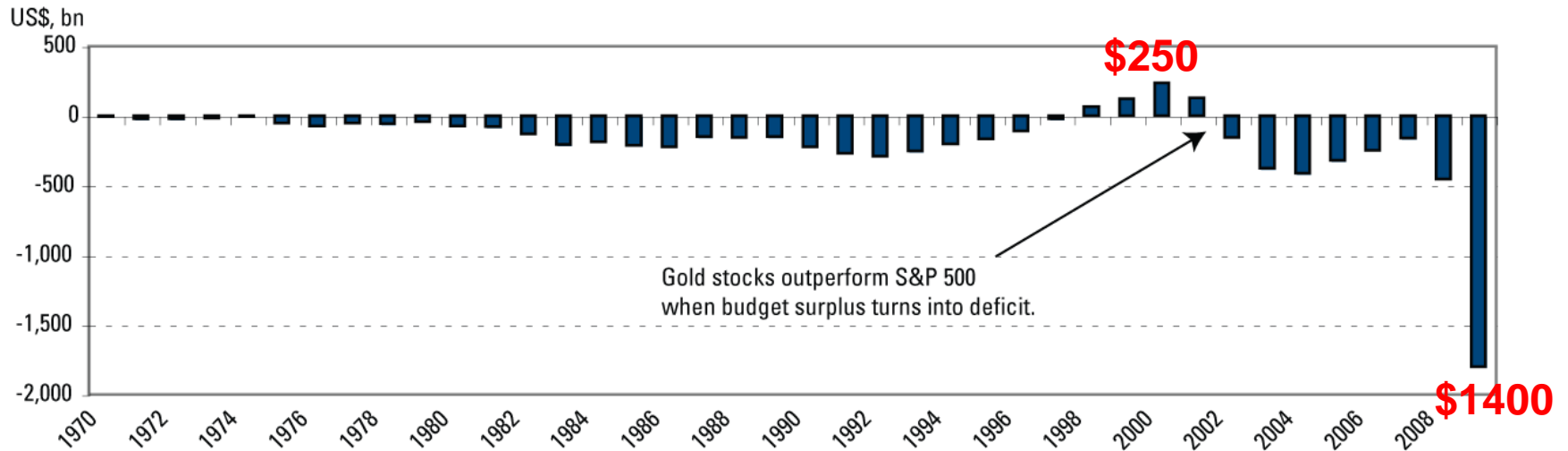


# Right Time for Gold Mining Stocks?



**Investor Alert  
Special Report**  
06/05/09

## Federal Budget Surplus or Deficit

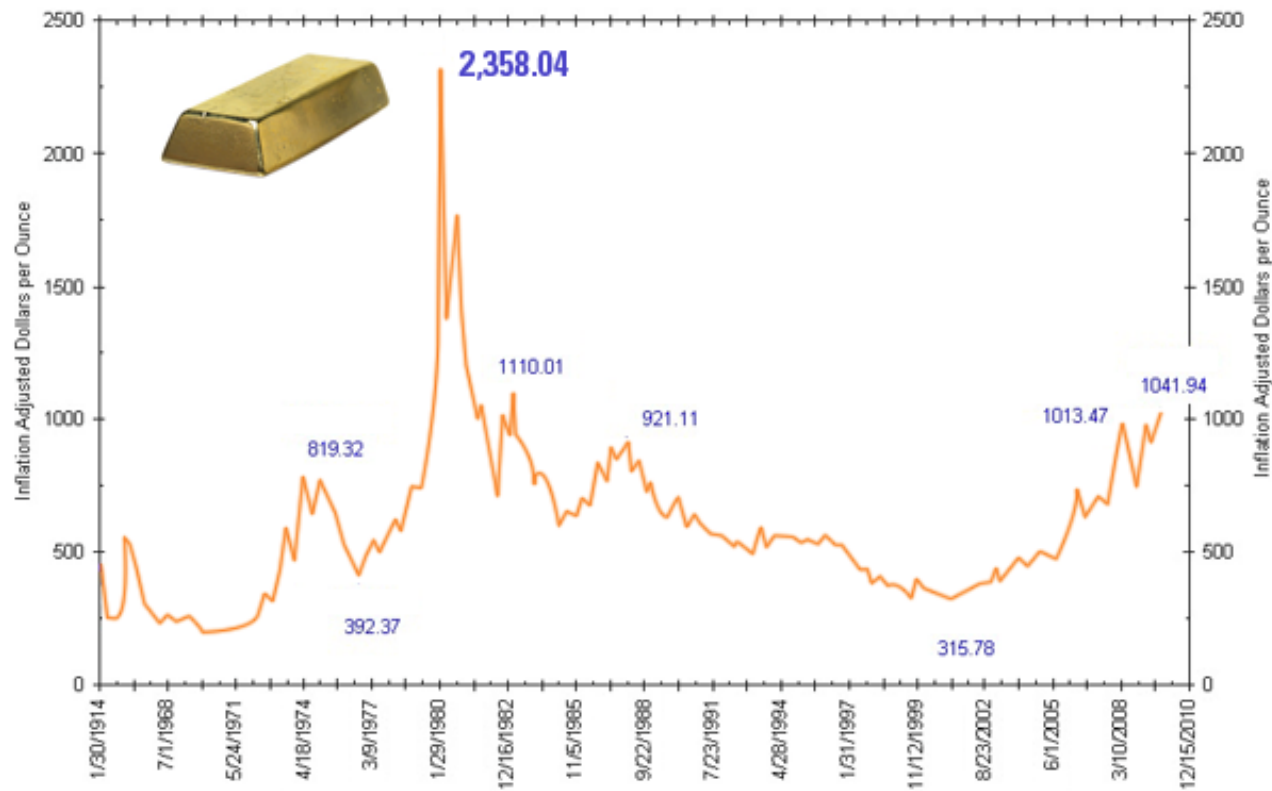


Source: 2009 Forecast: White House



# Inflation-Adjusted Gold Prices in 2009 Dollars

Inflation-Adjusted Gold Prices in 2009 Dollars



Source: Solari.com



# Anticipate Before You Participate

Standard Deviation (as of 9/30/10) based on 10-Year Data

	Rolling 1 Year
<b>U.S. Global Investors (GROW)</b>	<b>114.1%</b>
<b>NYSE Arca Gold BUGS Index (HUI)</b>	<b>41.4%</b>
<b>Crude Oil</b>	<b>37.4%</b>
<b>MSCI Emerging Markets (MXEF)</b>	<b>33.5%</b>
<b>S&amp;P 500 Index (SPX)</b>	<b>19.6%</b>
<b>Gold Bullion</b>	<b>14.8%</b>

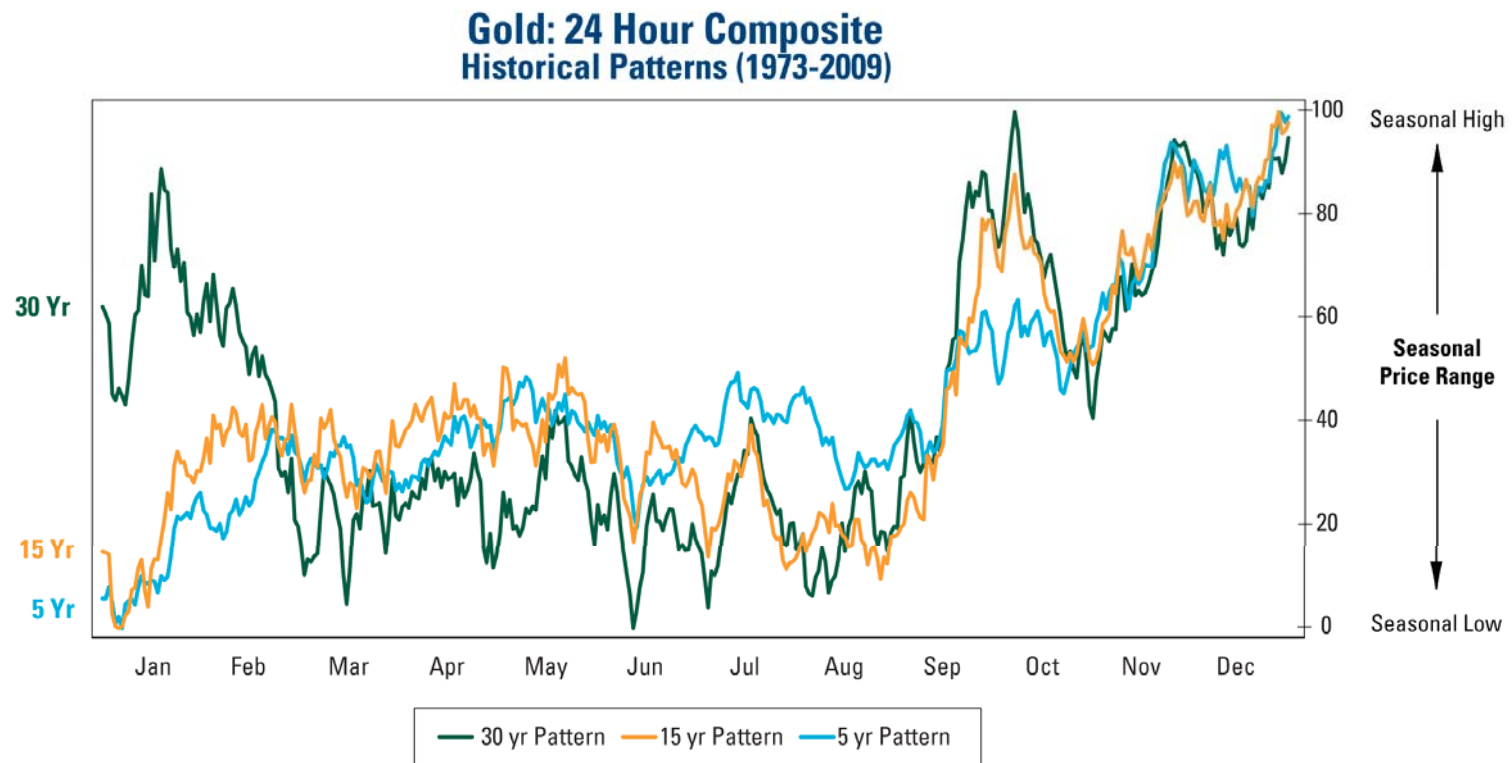
12-month rolling volatility of price action over 10 year period



View the presentation “Anticipate Before You Participate” at [www.usfunds.com/investor-resources/publications/research](http://www.usfunds.com/investor-resources/publications/research)



# Gold Seasonality

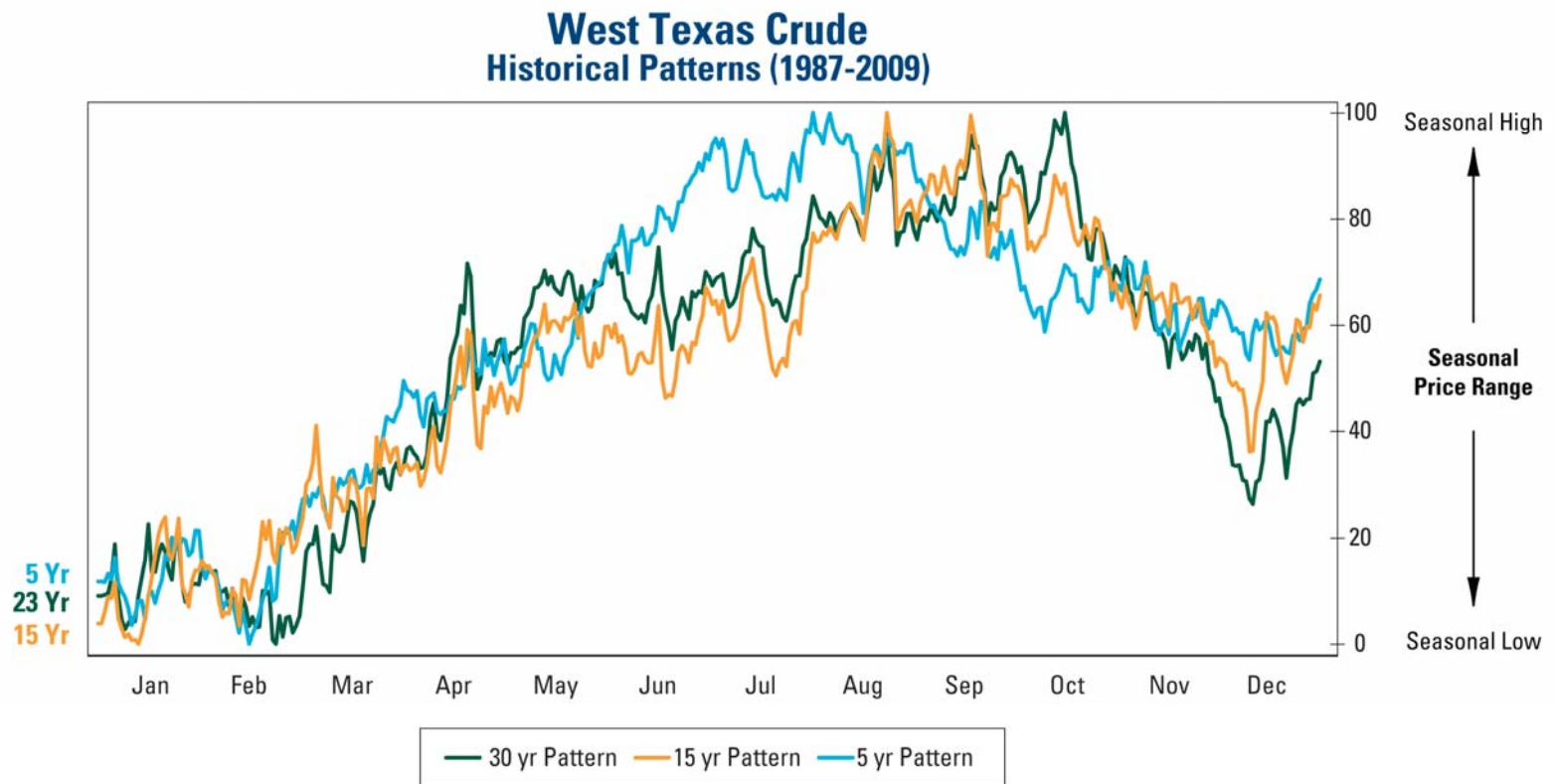


Source: Moore Research Center, Inc.





# Oil Seasonality



Source: Moore Research Center, Inc.



# Three Price Levels When Valuing Companies

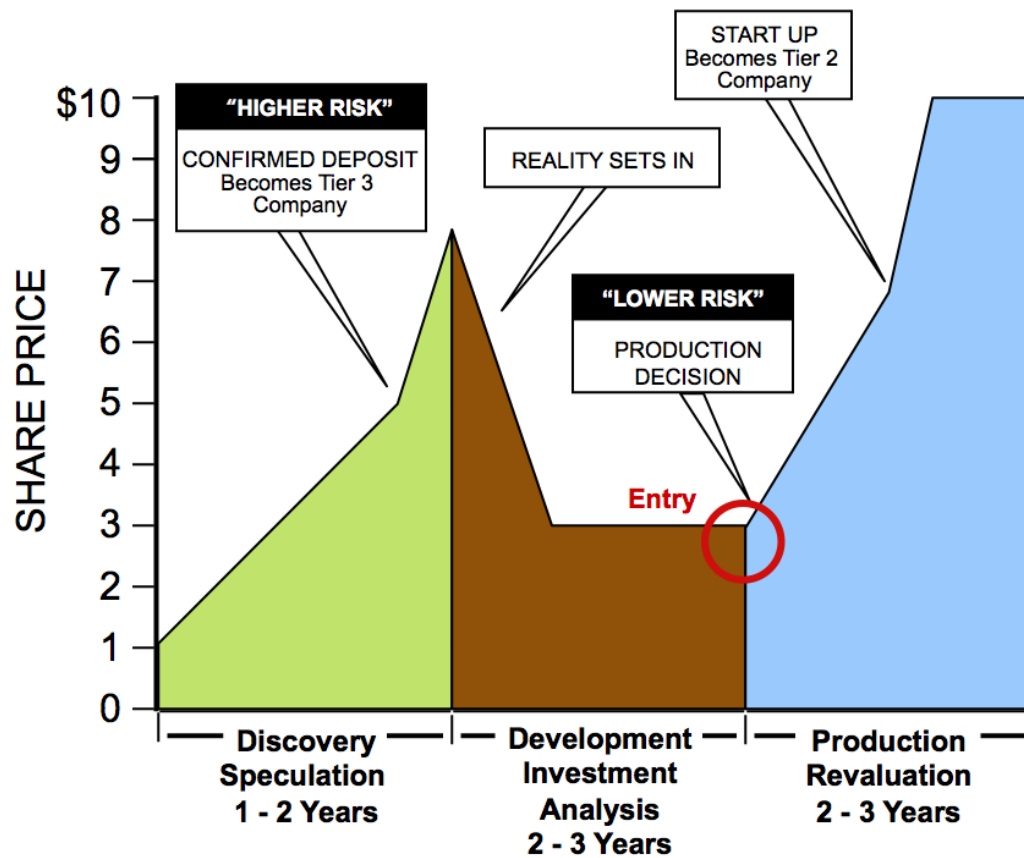
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1. Wholesale Price
2. Retail Price
3. Fairytale Price



# Life Cycle of a Mining Share



Source: U.S. Global Investors



# The Five M's for Gold Miners

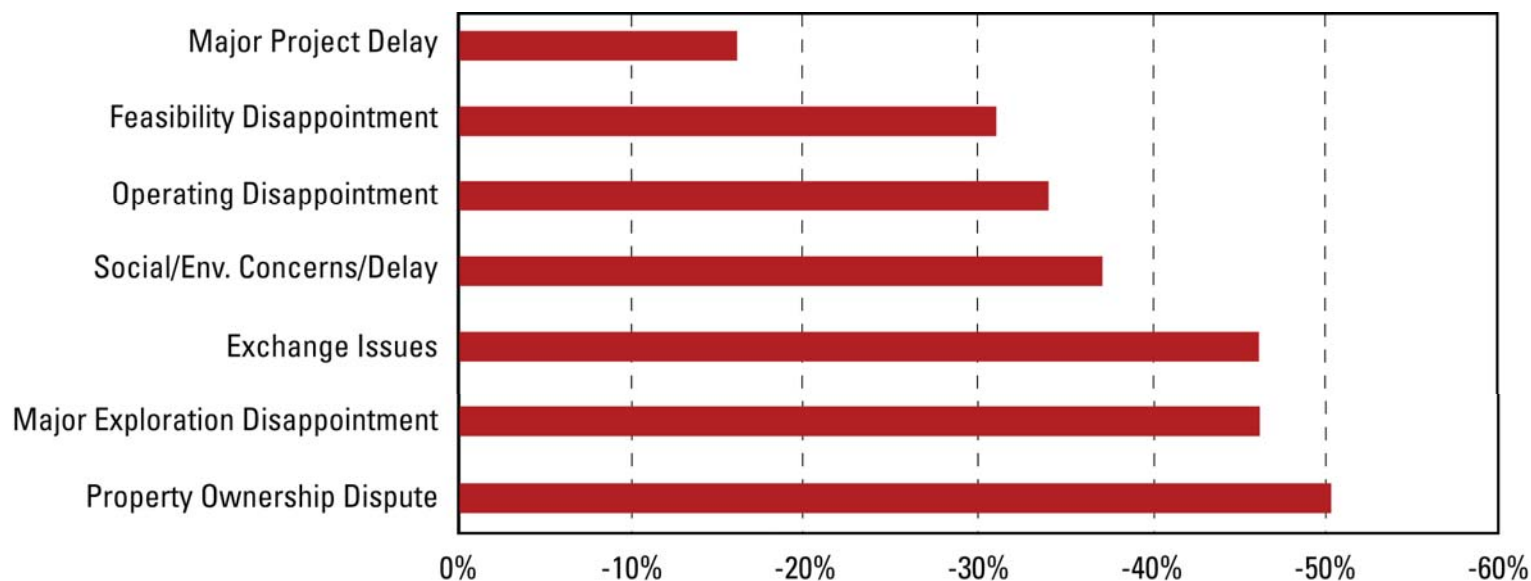
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- **Management**
- **Mine Lifecycle**
- **Market Cap**
- **Money (Burn Rate)**
- **Minerals**



# Delays and Disappointments Impact Volatility

## Average Share Price Impact: By Event

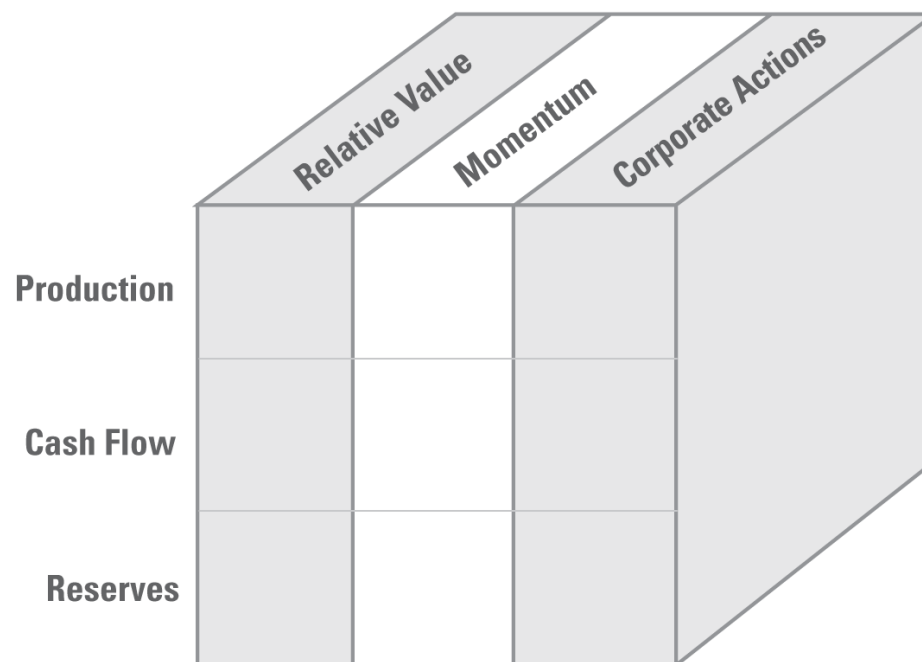


**Recovery Phase...Generally 18 Months**

Source: Company Reports and CIBC World Markets Inc.



# Value Drivers for Superior Performance



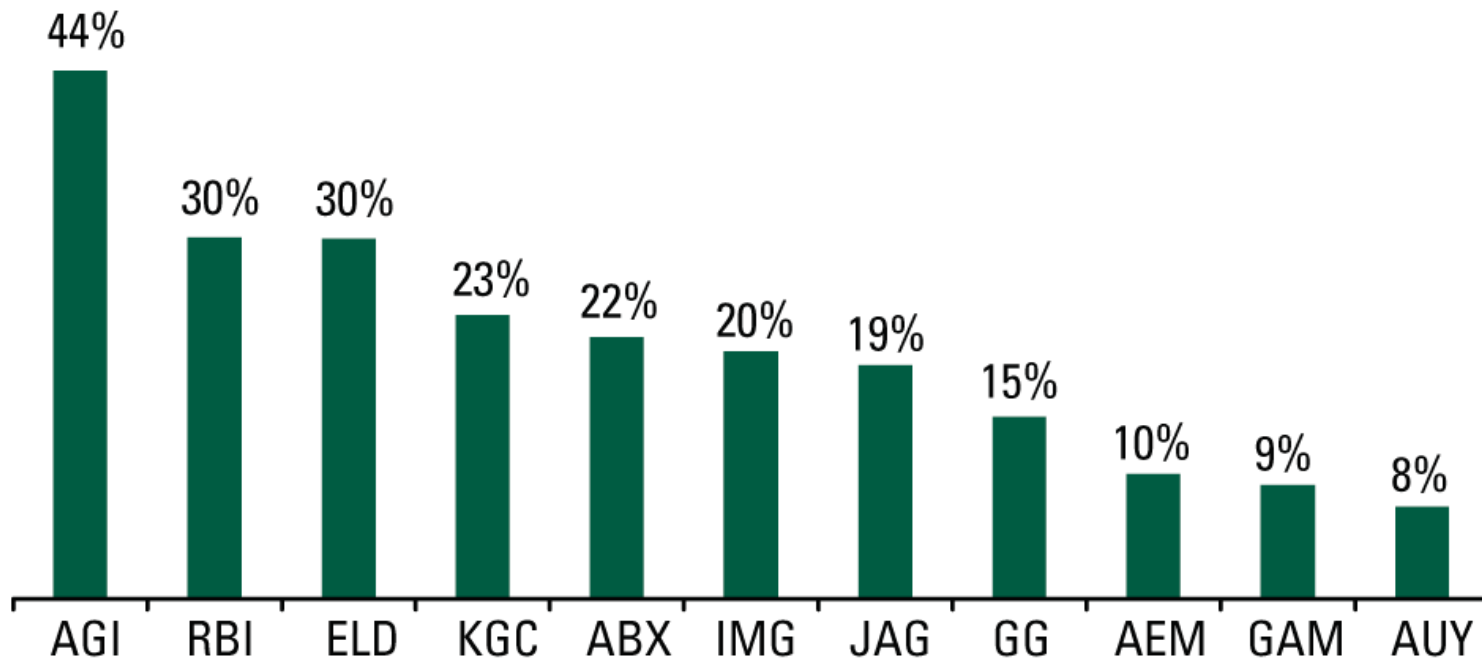
The key success factor to superior stock performance is growth on a per share basis in the 3 value drivers.

**Production, Cash Flow, Reserves.**



# Superior Stock Performance is Related to Cash Flow Returns from Capital (Money) Invested in New Mines

## Average Cash Return on Invested Capital (2008-2010e)



Source: TD Newcrest



# Case Study: Gold Mining in Colombia

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# Case Study: Resources in Colombia

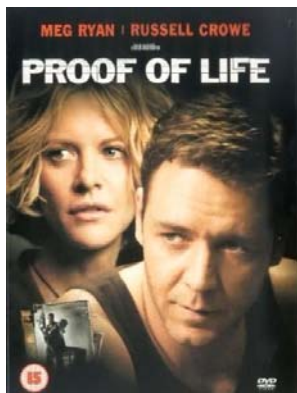


Brian Hicks at the Rubiales Field in Colombia

- Pacific Rubiales Energy
- Medoro Resources LTD.
- Gran Colombia Gold



# Kidnapping Collapse

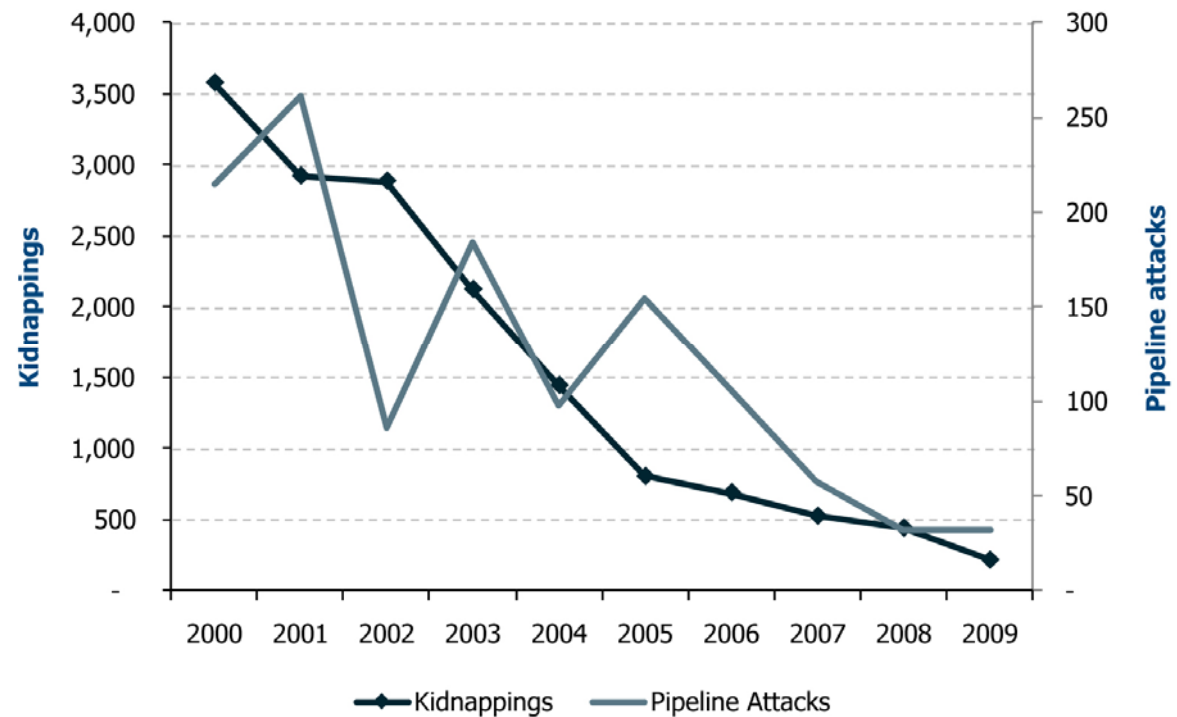


2000



Pipeline attack in Colombia

### Reduced kidnappings and pipeline attacks in Colombia



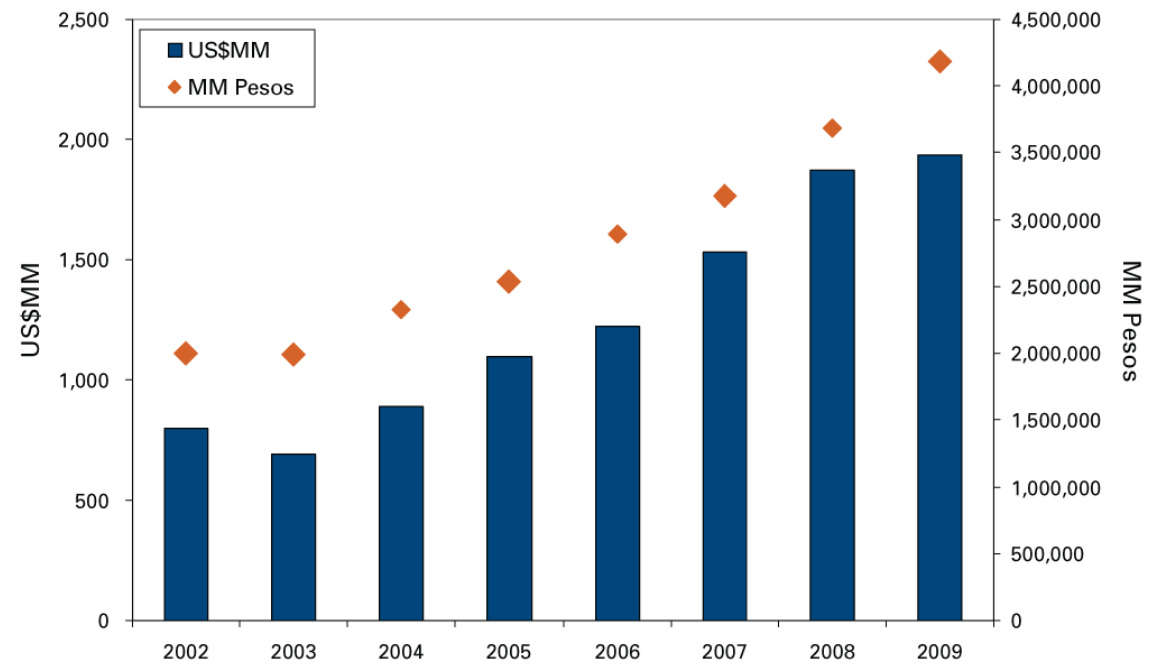
Source: Colombia Ministry of Defense



# Justice Budget Expands



## Justice Budget



Source: Direction National Budget



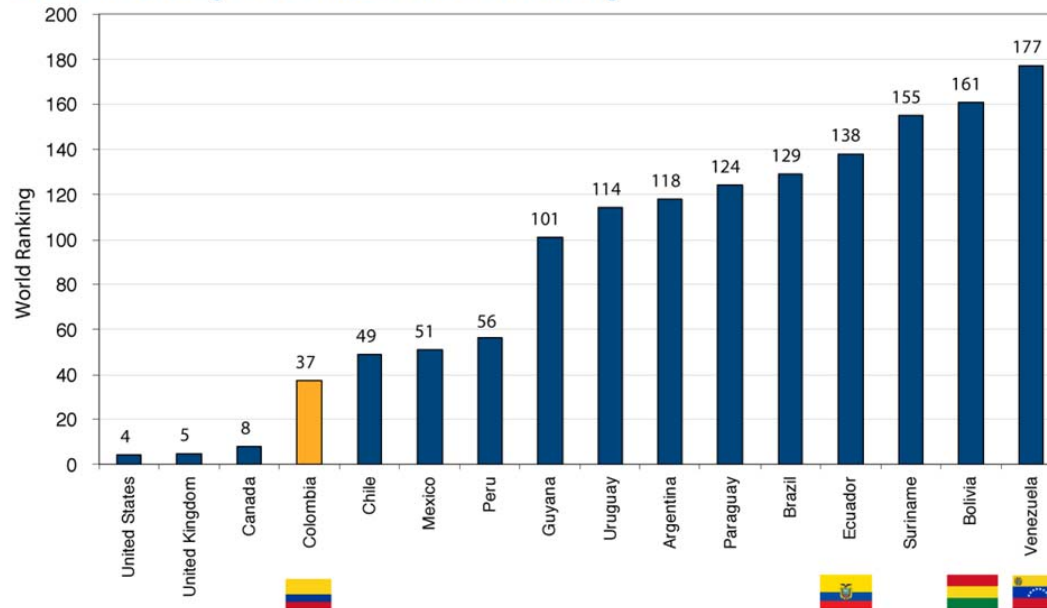
# Ease of Doing Business World Ranking

## Compare Colombia to Venezuela

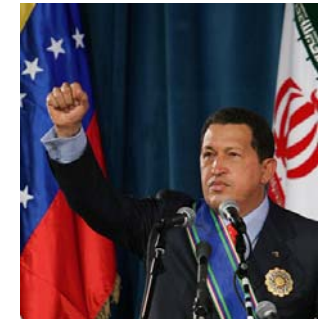


**Juan Manuel Santos Calderón**  
President of the Republic of Colombia

### Ease of Doing Business World Ranking



Source: International Finance Corporation, World Bank Group

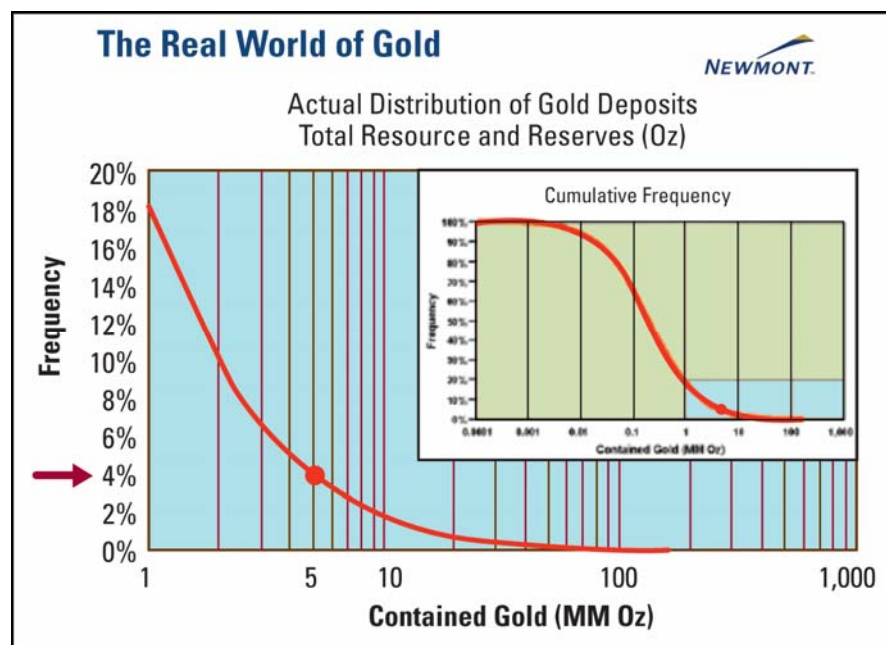


**Hugo Chávez**  
President of Venezuela



# Large Scale Gold Deposits

- Large-scale gold deposits are geologically rare
- New deposits arise from exploration and economics (mines are not found, they are made)
- Colombia has demonstrated potential for new large-scale deposits (Angostura-Greystar, La Colosa–AngloGold)
- Colombia is in the low-hanging fruit stage



Source: Newmont



# Large Gold Deposits are Rare

Project	Global Resources ( Measured, Indicated and Inferred)					Stage	Next Step	Production Start (*est)	OP/UG	Milling (Rf-refractory)
	Tonnes (M)	Au g/t	Ag g/t	Au (Moz)	Ag (Moz)					
KSM	2894.3	0.53		49.4		Scoping	Feasibility	*2017	OP	Mill
Dorlin Creek	565.9	2.32		42.3		Scoping	Feasibility	*2014	OP	Mill(Rf)
Snowfield	1811.0	0.51		29.8		Scoping	Pre-Feasibility	*2018	OP	Mill
Las Cristinas	859.0	0.98		27.0		Permitting	Construction	*2014	OP	Mill
Caspiche	1473.0	0.51		24.3		Delineation	Scoping	*2020	OP&UG	Leach/Mill
Detour Lake	643.7	1.02		21.1		Feasibility	Construction	*2013	OP	Leach/Mill
Burnstone	65.9	7.65		16.2		Development	Construction	2010	UG	Mill
Rosia Montana	380.6	1.31	5.39	16.0	66.0	Permitting	Suspended	*2014	OP	Mill
Angostura	421.7	1.11	5.83	15.0	79.0	Delineation	Scoping	*2014	OP	Leach/Mill (Rf)
Livengood	503.0	0.82		13.3		Scoping	Feasibility	*2015	OP	Leach/Mill
Malarctic	336.2	1.08		11.7		Delineation	Scoping	*2012	OP	Mill
Bendigo	24.9	14.29		11.4		Production	Ramp-up	2006	UG	Mill
Warrior	24.5	13.56		10.7		Production	Expansion	2006	UG	Mill
McDonald	667.6	0.50	2.99	10.7	64.1	Feasibility	Legal	Cyanide Ban	OP	Leach
Twangiza	198.2	1.65		10.5		Delineation	Scoping	*2012	OP	Mill
Courageous Lake	153.0	2.07		10.2		Pre-Feasibility	Update	*2015	OP	Mill(POX)
Volcan	355.6	0.87		9.9		Delineation	Scoping	*2013	OP&UG	Leach/Mill
Gaby	499.6	0.61		9.8		Metallurgy	Feasibility	*2014	OP	Leach
Marmato	321.0	0.94		9.7		Delineation	Scoping	*2015	OP	Leach/Mill
Maoling	319.0	0.90		9.2		Pre-Feasibility	Feasibility	*2013	OP	Mill
Hammond Reef	259.0	0.80		6.7		Delineation	Pre-Feasibility	*2015	OP	Leach
Aurora	49.1	2.76		4.4		Scoping	Feasibility	*2012	OP&UG	Leach/Mill

Source: BMO Capital Markets



# Colombia has Junior Companies with Large Gold Deposits

Company	Ticker	Exchange	Share Price (US\$)	Shares Outstanding (M)	Market Cap (US\$M)	Project	Global Gold Resources (Moz, M+I&I)	Ownership	Attributable	Country
Seabridge Gold Inc	SEA	TSX	\$28.11	40.5	\$1,140	KSM	49.4	100%	49.4	Canada
NovaGold Resources Inc	NG	TSX	\$6.74	221.0	\$1,489	Donlin Creek	42.3	50%*	21.1	U.S.
Silver Standard	SSO	TSX	\$6.88	165.0	\$1,135	Snowfield	29.8	100%	29.8	Canada
Crystallex International Corp	KRY	TSX	\$0.36	364.8	\$130	Las Cristinas	27.0	100%	27.0	Venezuela
Exeter Resource Corp	XRC	TSX	\$6.20	75.9	\$471	Caspiche	24.3	100%*	24.3	Chile
Detour Gold	DGC	TSX	\$28.27	82.5	\$2,332	Detour Lake	21.1	100%	21.1	Canada
Great Basin Gold Ltd	GBG	TSX	\$2.01	348.0	\$701	Burnstone	20.1	100%	20.1	South Africa
Gabriel Resources Ltd	GBU	TSX	\$4.50	342.1	\$1,541	Rosia Montana	16.0	80%	12.8	Romania
<b>Greystar Resources Ltd</b>	<b>GSL</b>	<b>TSX</b>	<b>\$3.62</b>	<b>90.2</b>	<b>\$327</b>	<b>Angostura</b>	<b>15.0</b>	<b>100%</b>	<b>15.0</b>	<b>Colombia</b>
International Tower Hill Mines Ltd	ITH	TSX-V	\$6.23	67.2	\$419.0	Livengood	13.3	100%	13.3	U.S.
Osisko Mining Corp	OSK	TSX	\$14.01	370.0	\$5,183	Malarctic	11.7	100%	11.7	Canada
Bendigo Mining Ltd	BDG	ASX	\$0.17	509.7	\$84	Bendigo	11.4	100%	11.4	Australia
Citigold Corporation Ltd	CTO	ASX	\$0.09	928.6	\$87	Warrior	10.7	100%	10.7	Australia
Atna Resources Ltd	CAU	AMEX	\$0.45	83.3	\$37	McDonald	10.7	100%	10.7	United States
Banro Corporation	BAA	TSX	\$1.65	173.1	\$286	Twangiza	10.5	100%	10.5	DRC
Seabridge Gold Inc	SEA	TSX	\$28.11	40.5	\$1,140	Courageous Lake	10.2	100%	10.2	Canada
Andina Minerals	ADM	TSX	\$1.34	130.6	\$175	Volcan	9.9	100%	9.9	Chile
International Minerals Corp	IMZ	TSX	\$4.12	115.2	\$475	Gaby	9.8	60%	5.9	Ecuador
<b>Medoro Resources</b>	<b>MRS</b>	<b>TSX-V</b>	<b>\$1.81</b>	<b>140.4</b>	<b>\$253</b>	<b>Marmato</b>	<b>9.7</b>	<b>100%</b>	<b>9.7</b>	<b>Colombia</b>
Mundoro Capital Inc	MUN	TSX	\$0.83	38.3	\$32	Maoling	9.2	79%	7.3	China
Osisko Mining Corp	OSK	TSX	\$14.01	370.0	\$5,183	Hammond Reef	6.7	100%	6.7	Canada
Guyana Goldfields Inc	GUY	TSX	\$8.19	77.3	\$633	Aurora	4.4	100%	4.4	Guyana

Source: Bloomberg, BMO Capital Markets Pricing Date August 23, 2010



# Medoro Resources: Marmato



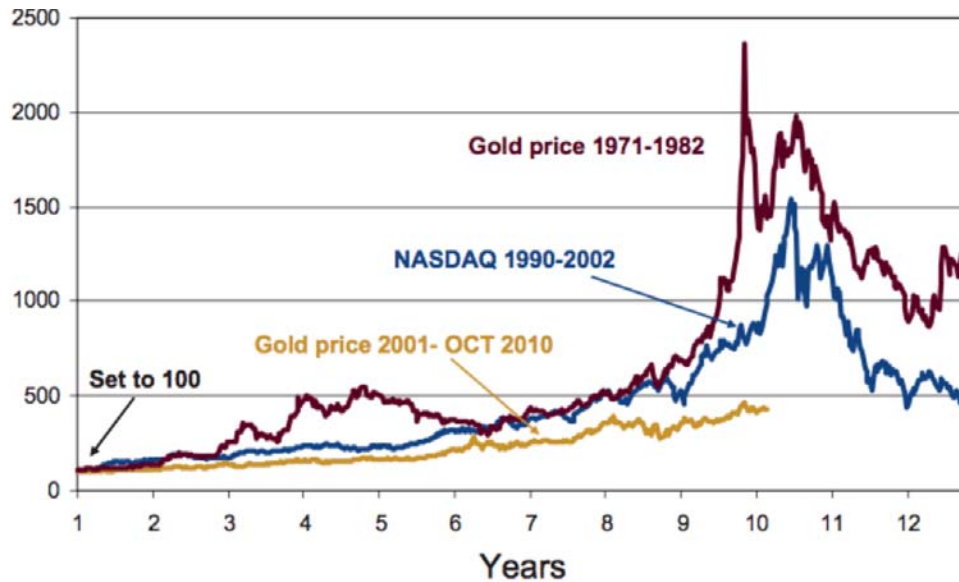
Source: Medoro





# No Bubble in Gold

## Is Gold in a Bubble?

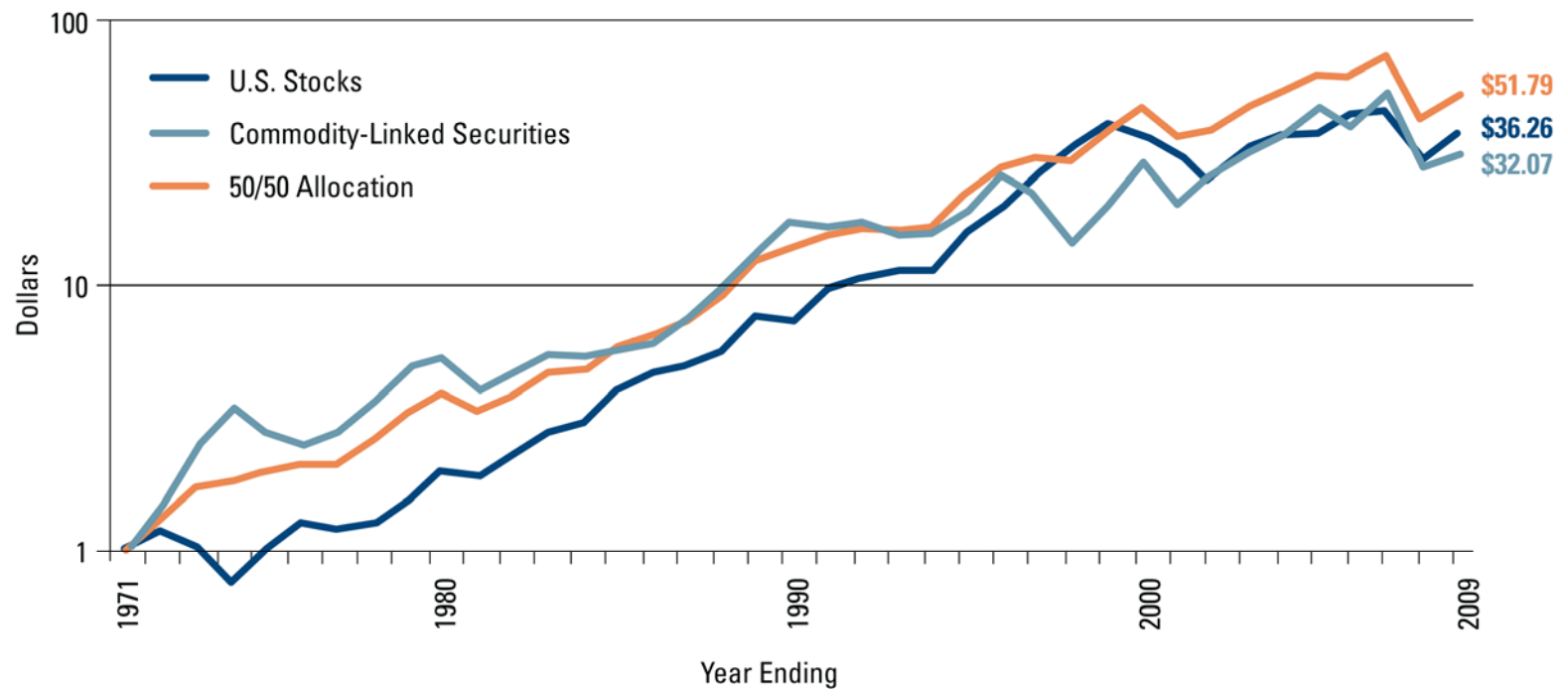


Source: Dundee Wealth Economics



# Importance of Diversification and Rebalancing

Growth of \$1



Source: Roger Gibson



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