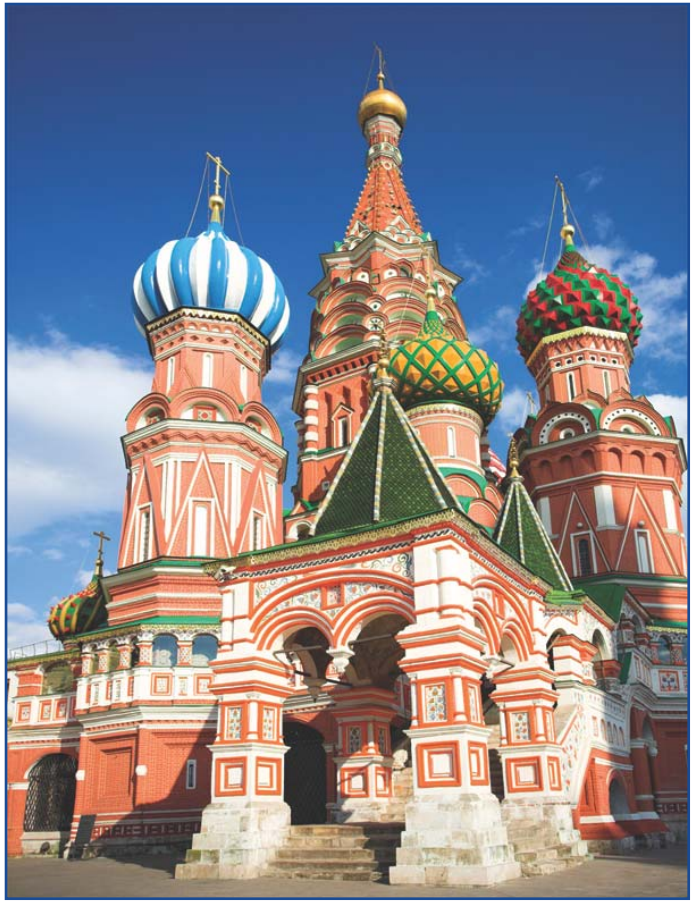
U.S. Global Investors

Searching for Opportunities, Managing Risk

What's Ahead in Emerging Europe?



www.usfunds.com
1.800.US.FUNDS

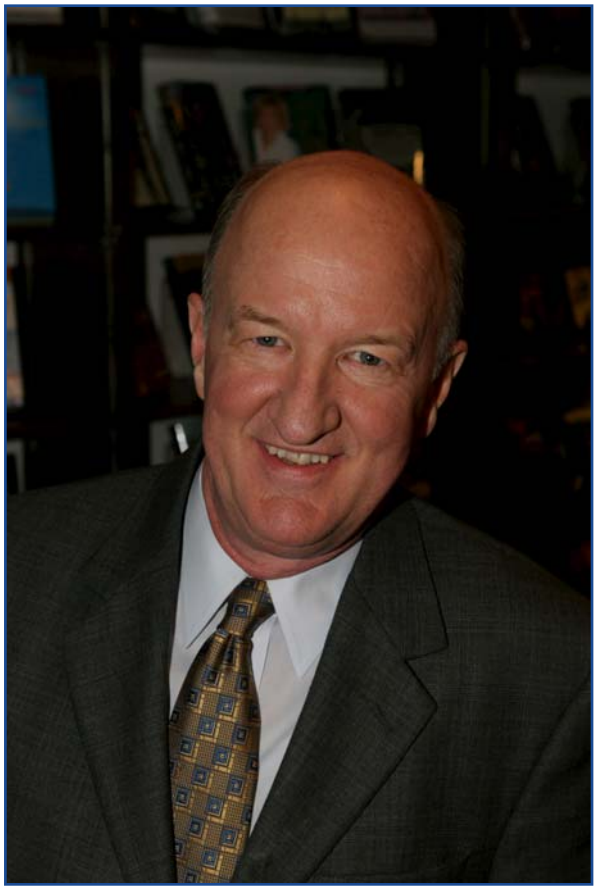
April 2010
10-185

Top 7 Percent for the Past 10 Years by Lipper

The Eastern European Fund ranked 56 out of 378, 175 out of 182, and 7 out of 104 emerging market funds for total return for the 1-, 5- and 10-year periods as of March 31, 2010. Past performance does not guarantee future results.

Mark Skousen

- Ph.D. in economics from George Washington
- Has taught economics at Columbia University's Graduate School of Business and Rollins College
- Editor of Forecasts & Strategies newsletter
- Former columnist for Forbes magazine
- Author of over 20 books including *Investing in One Lesson* and the *Economics of a Pure Gold Standard*
- Founder of FreedomFest



Frank Holmes

- CEO and chief investment officer for U.S. Global Investors
- Purchased a controlling interest in U.S. Global Investors in 1989
- Co-author of *The Goldwatcher: Demystifying Gold Investing*
- 2006 “Mining Fund Manager of the Year” by Mining Journal magazine
- Advisor to the William J. Clinton Foundation and President’s Circle Member and investment committee of the International Crisis Group
- Frequent speaker at investment conferences from London to Hong Kong

Jacek Dzierwa

- Serves as global strategist and portfolio manager at U.S. Global Investors
- Born in Tarnow, Poland near Krakow
- MBA from the University of Chicago and an undergraduate degree from the London School of Economics
- Covered Polish equities for Salomon Brothers and researched the Baltics and Ukrainian equity markets at ING in London
- A triple citizen: Poland, Canada and United Kingdom
- In the past year, has traveled to Central Europe, China, Brazil, Mexico and Hong Kong

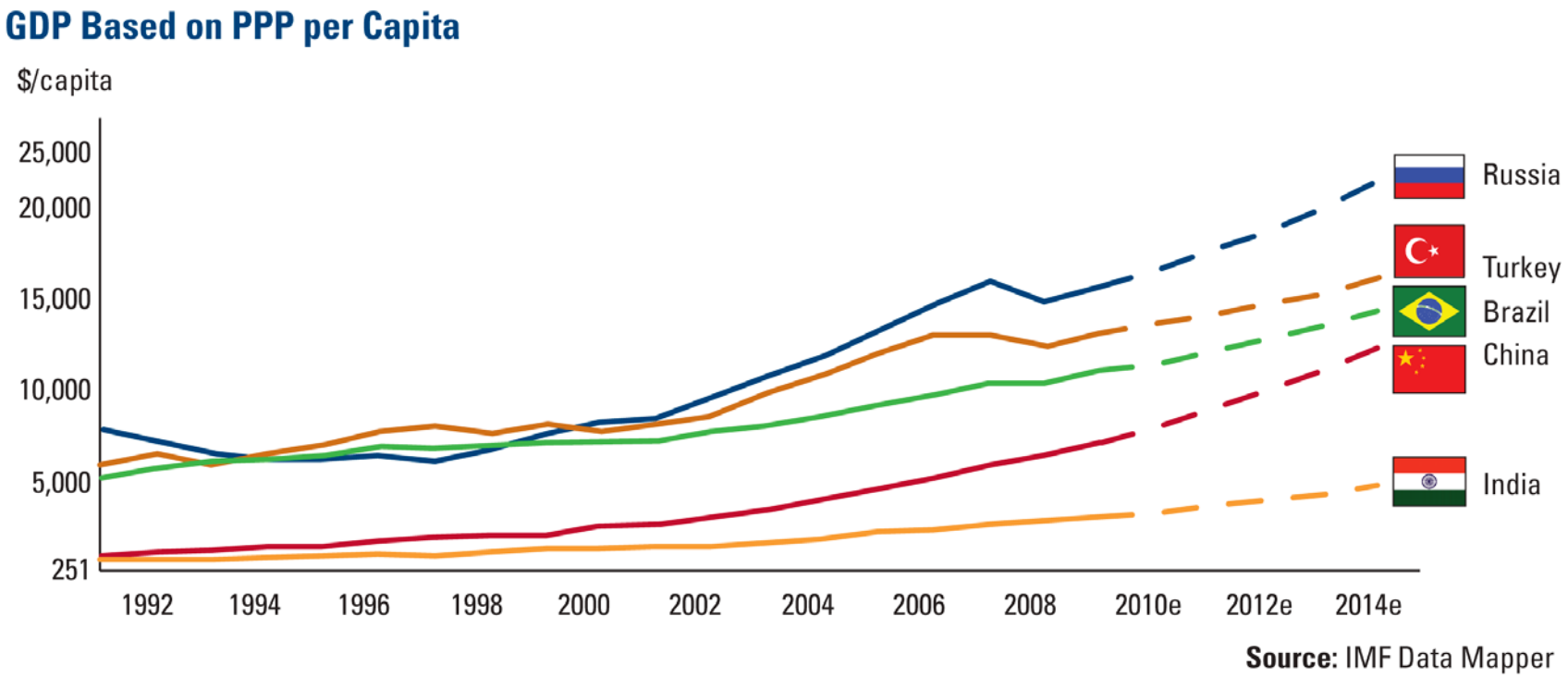
Tim Steinle

- Serves as portfolio manager at U.S. Global Investors
- Born in Baku, Azerbaijan and raised in Moscow, Russia
- MBA from the University of Texas at Austin and an undergraduate degree from the Petroleum Institute in Baku
- Worked as energy risk manager at Valero, specialist at Enron, and analyst at Procter & Gamble
- Fluent in Russian
- In the past year travelled to Russia, Turkey, and United Kingdom

Eyjafjallajokull - Iceland

Eastern Europe

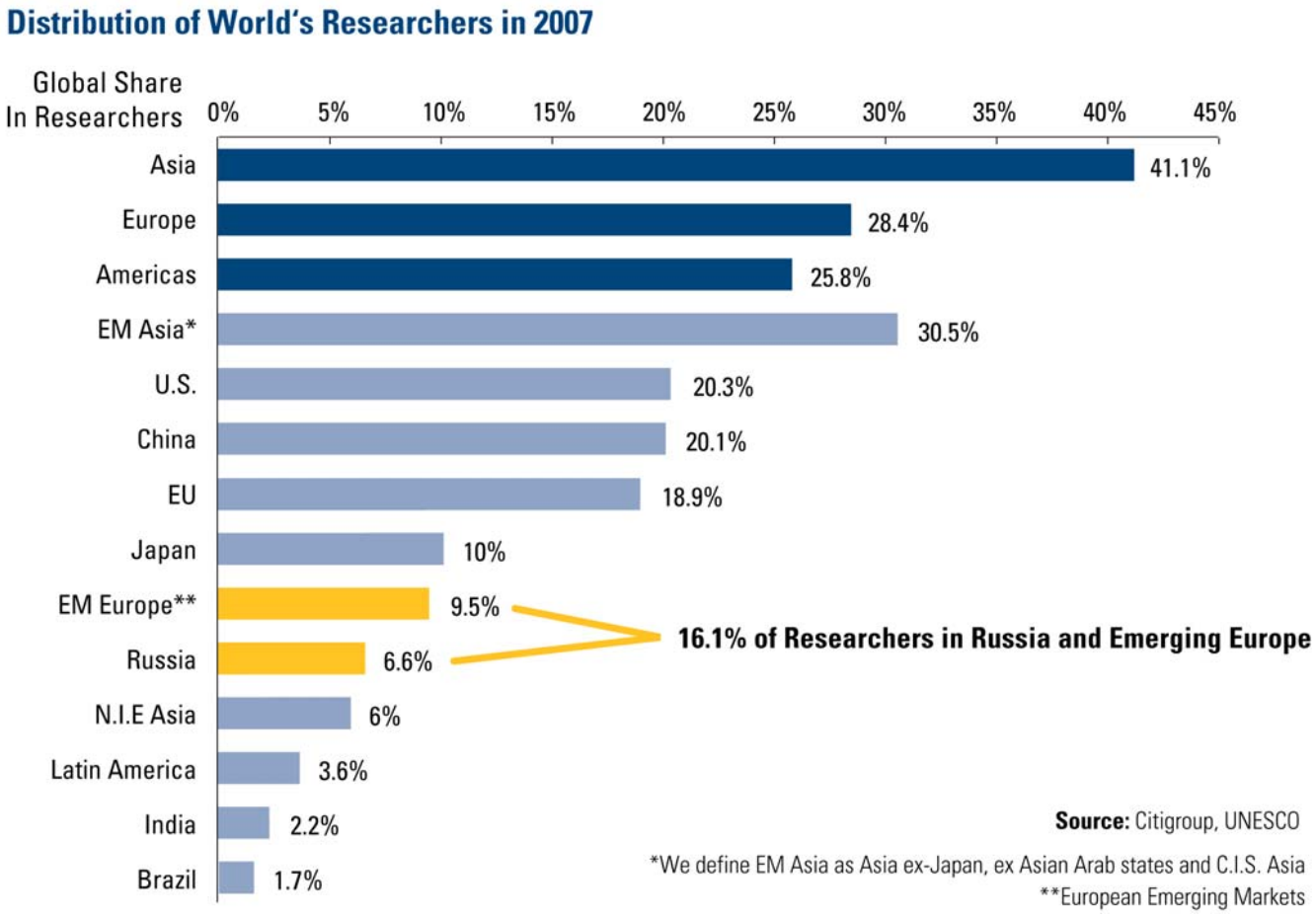
Eastern Europe: Higher GDP per Capita among the Developing Countries

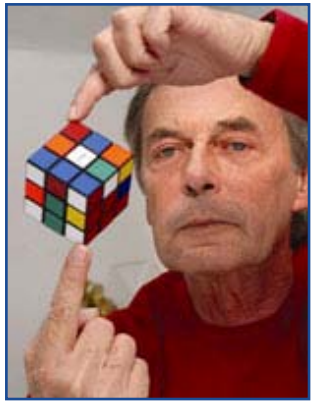


Source: IMF Data Mapper

PPP=Purchasing Power Parity

Eastern Europe:
High Concentration of Intellectual Capital

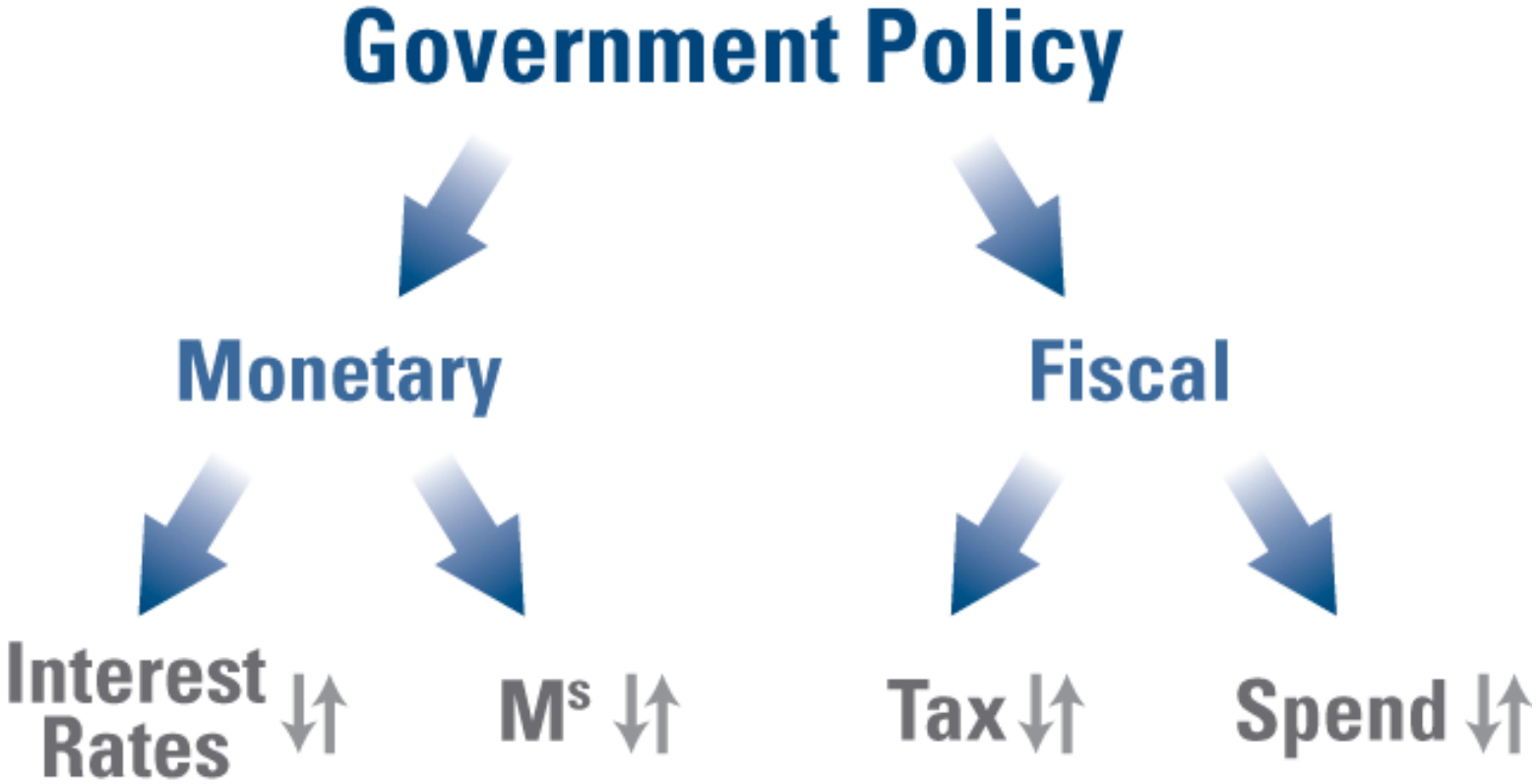




Ernő Rubik (born July 13, 1944) is a Hungarian inventor, sculptor and professor of architecture. He is best known for the invention of mechanical puzzles including Rubik's Cube, Rubik's Magic, Rubik's Snake and Rubik's 360.

Source: Wikipedia

Government Policy Model — Precursor to Change

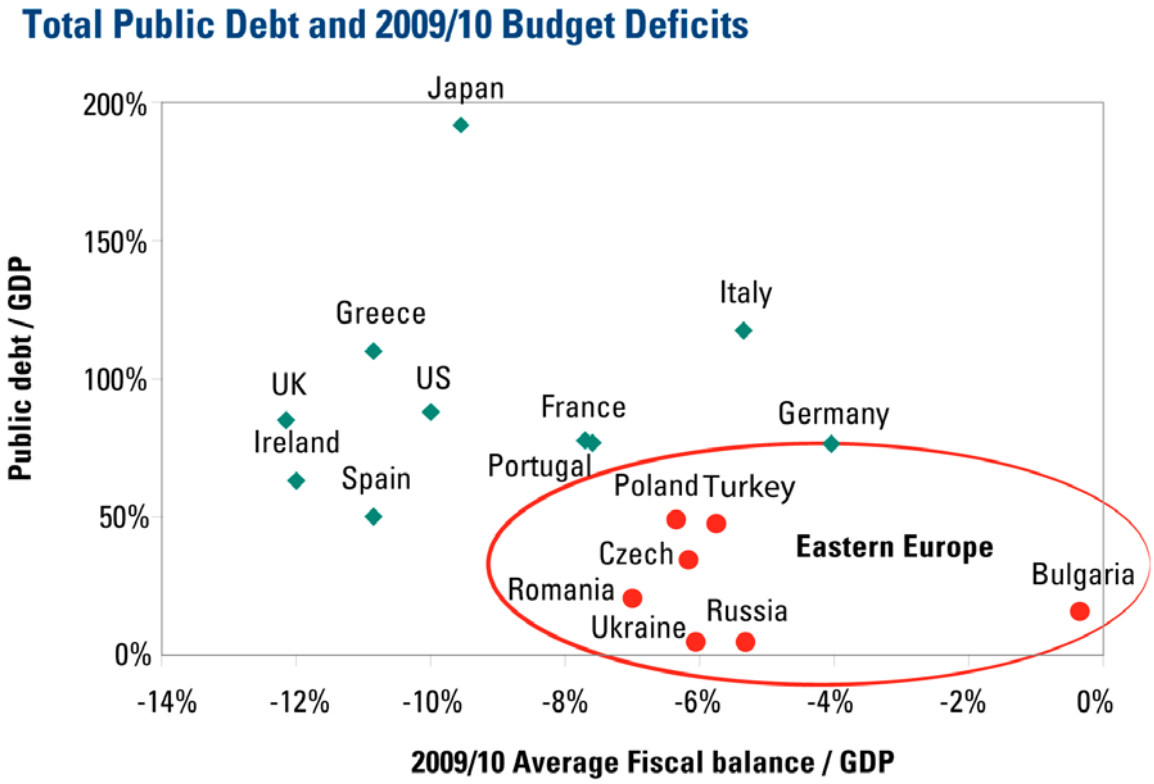


Eastern Europe: Monetary Policy Remains Stimulative

		Interest Rates		Money Supply
		Benchmark Interest Rate (%)	12 Month Change in % Points	M2 Money Supply % Year-over-Year
	Russia	8.25	(4.75)	32.1
	Turkey	6.50	(3.25)	13.4
	Poland	3.75	(0.25)	5.6
	Czech Republic	2.50	(1.00)	2.8
	Hungary	5.75	(3.75)	(2.0)

Source: U.S. Global Research. Interest Rates as of 4/10/10. M2 Money Supply as of 3/10/10, except Poland as of 2/10/10.

Eastern Europe: Conservative Fiscal Policy and Low Debt Enables Higher Growth



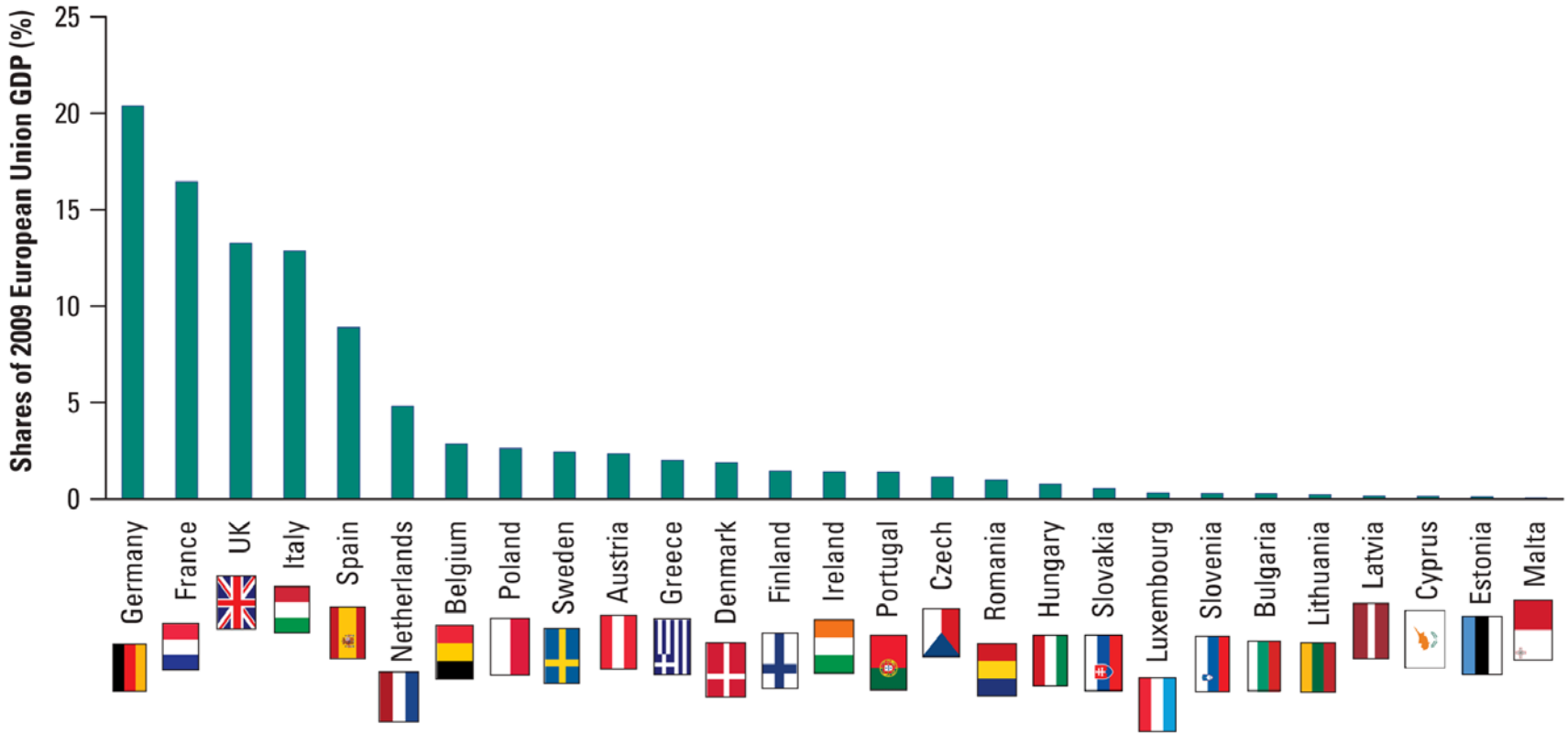
Source: Citi Investment Research and Analysis, IMF and Eurostat

Central and Eastern Europe Snapshot

	Population (millions)	GDP per Capita (US$ 2009E)	GDP Change in 2009	CPI 2009E	Weight in MSCI EM Index
Poland	38.111	11,098	1.7%	3.4%	12.2%
Czech Republic	10.425	18,194	-4.3%	1.0%	4.5%
Hungary	10.0	9,275	-6.3%	4.2%	5.7%
Ukraine	45.593	2,538	-4.4%	1.9%	n/a
Romania	21.415	7,503	-8.5%	5.5%	n/a
Bulgaria	7.569	5,916	-6.5%	2.7%	n/a

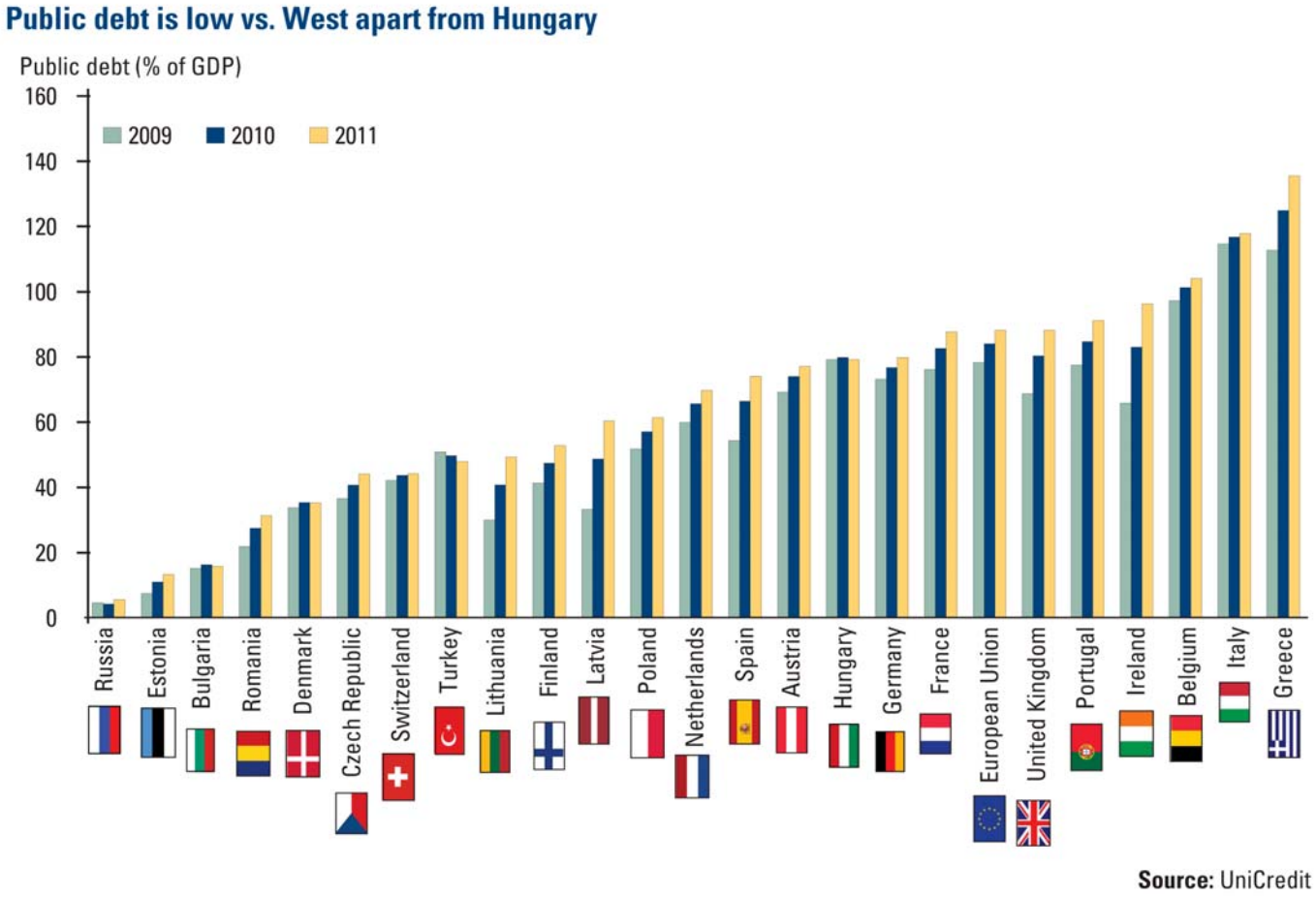
Source: IMF, Citi Investment Research and Analysis, UniCredit Research, I/B/E/S

European Union – Shares of 2009 European Union GDP (%)

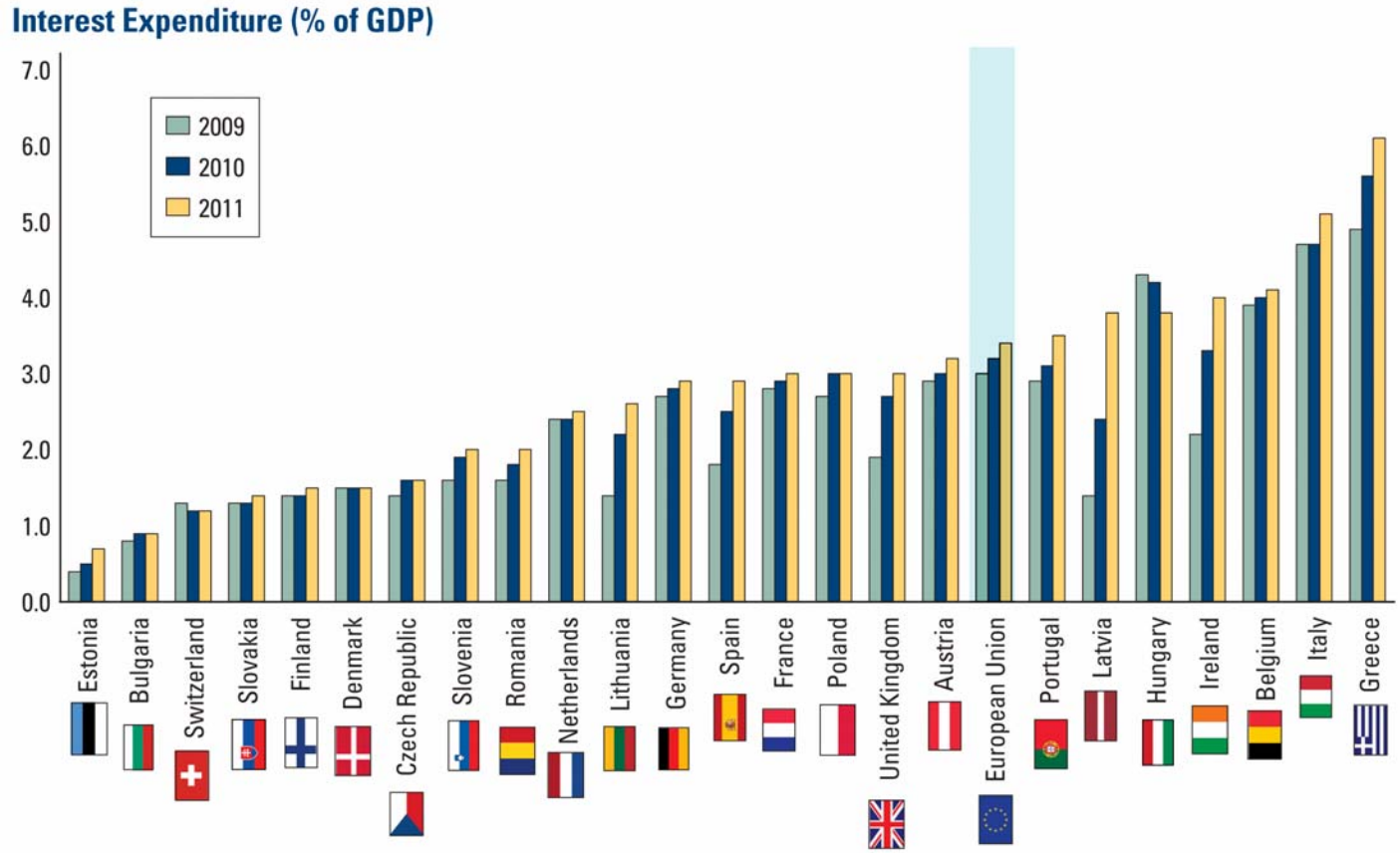


Source: Eurostat and Citi Investment Research and Analysis

Fiscal Position – Western Europe vs. Emerging Europe



Fiscal Backdrop is Diverging Significantly



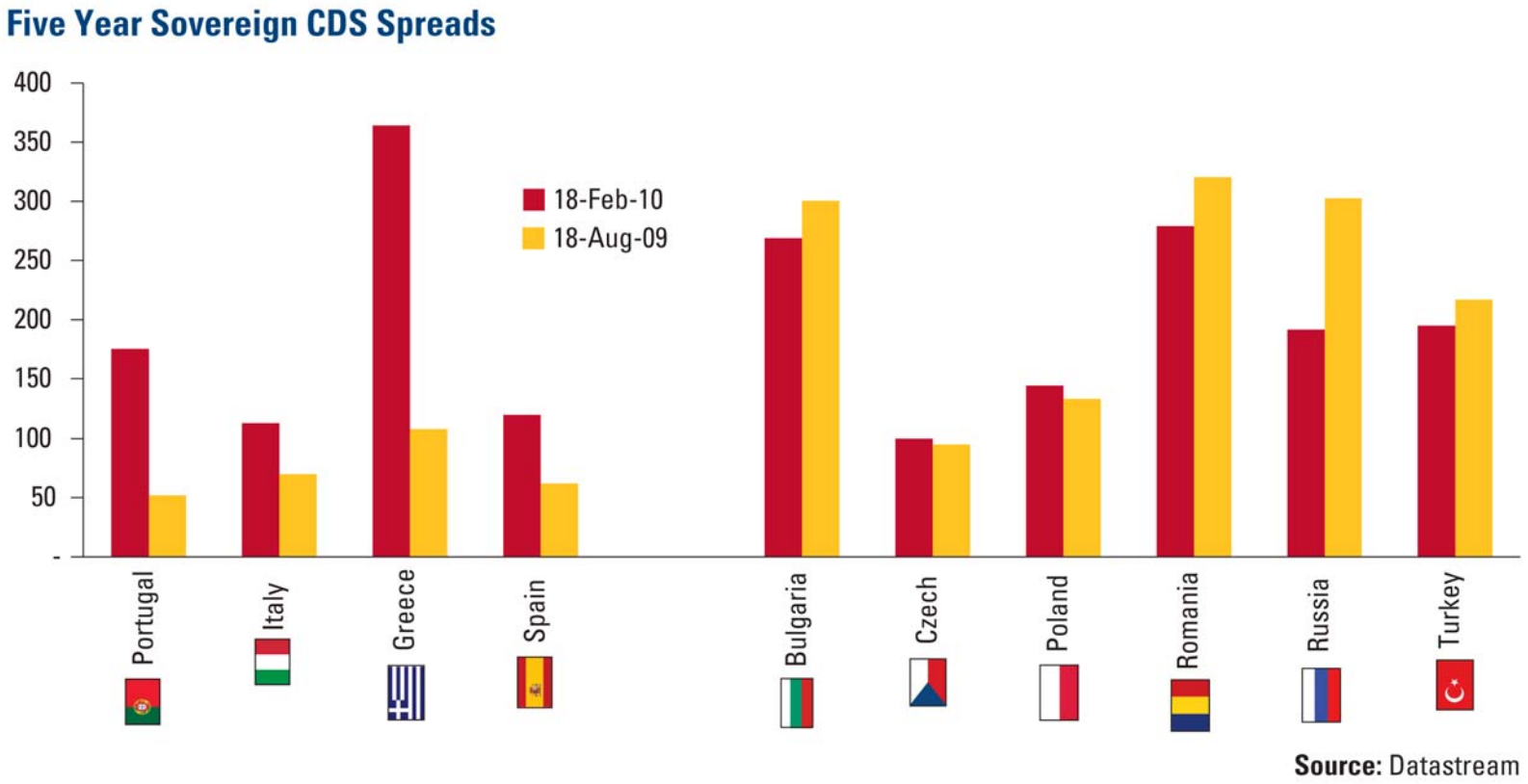
Source: European Commission autumn 2009 forecast, EC Sustainability Report

European Union Criteria Fulfillment in Emerging Europe

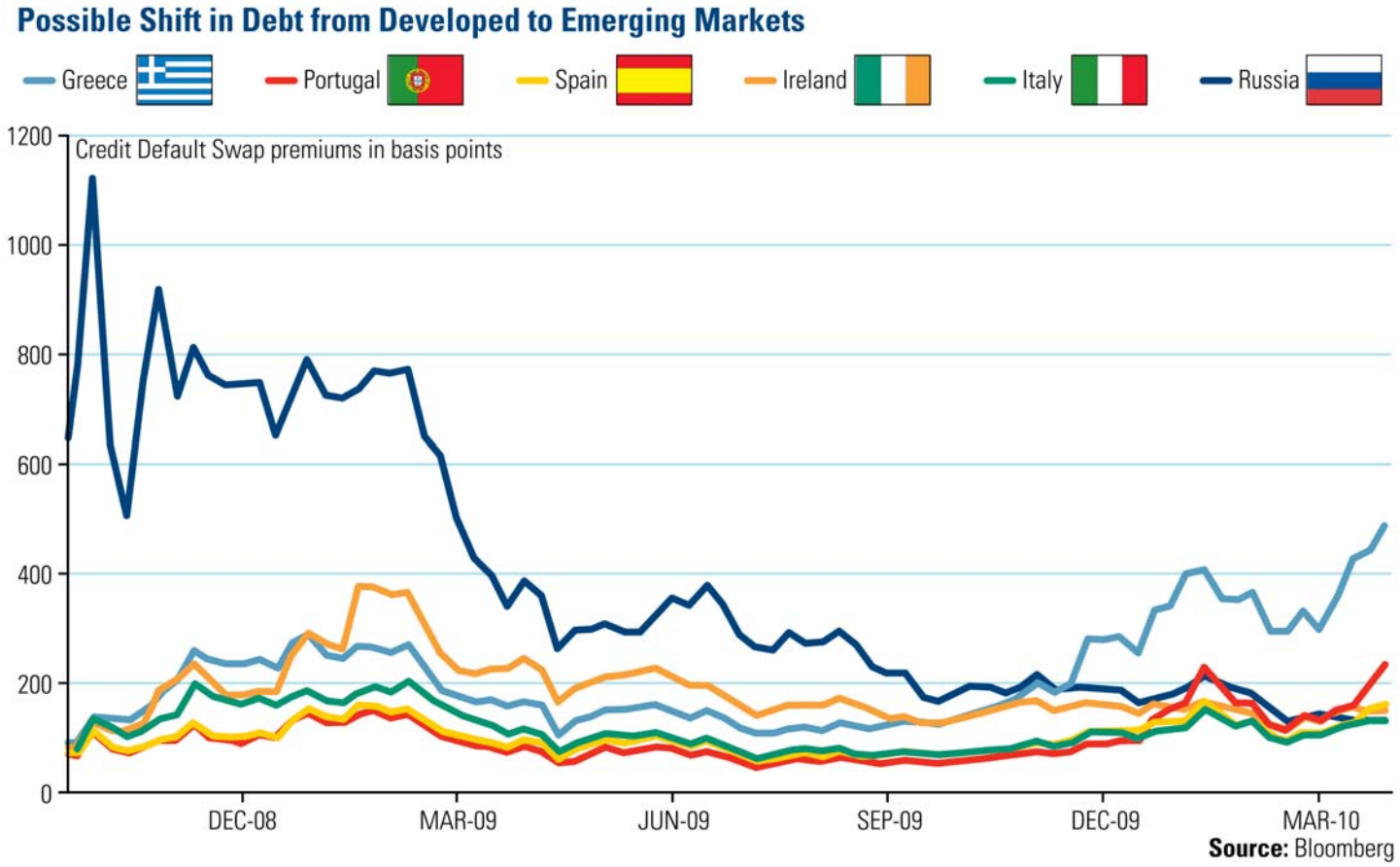
	Inflation	Budget deficit*	Public debt*	Long term rates
Bulgaria	0.30	-1.20	16.20	6.53
Czech Republic	-0.60	-5.50	40.60	4.19
Estonia	-2.10	-3.20	10.90	7.27
Hungary	4.20	-4.20	79.80	7.37
Latvia	-1.20	-12.30	48.60	13.75
Lithuania	1.00	-9.20	40.70	14.50
Poland	3.80	-7.50	57.00	6.14
Romania	4.30	-6.80	27.40	8.24
USA	2.30	-10.20	88.00	3.76

*EC 2009 Autumn forecast for 2010
Source: Eurostat
Green highlight = criteria is currently fulfilled

Relative Change in Credit Default Swap spreads – Western Europe vs. Emerging Europe

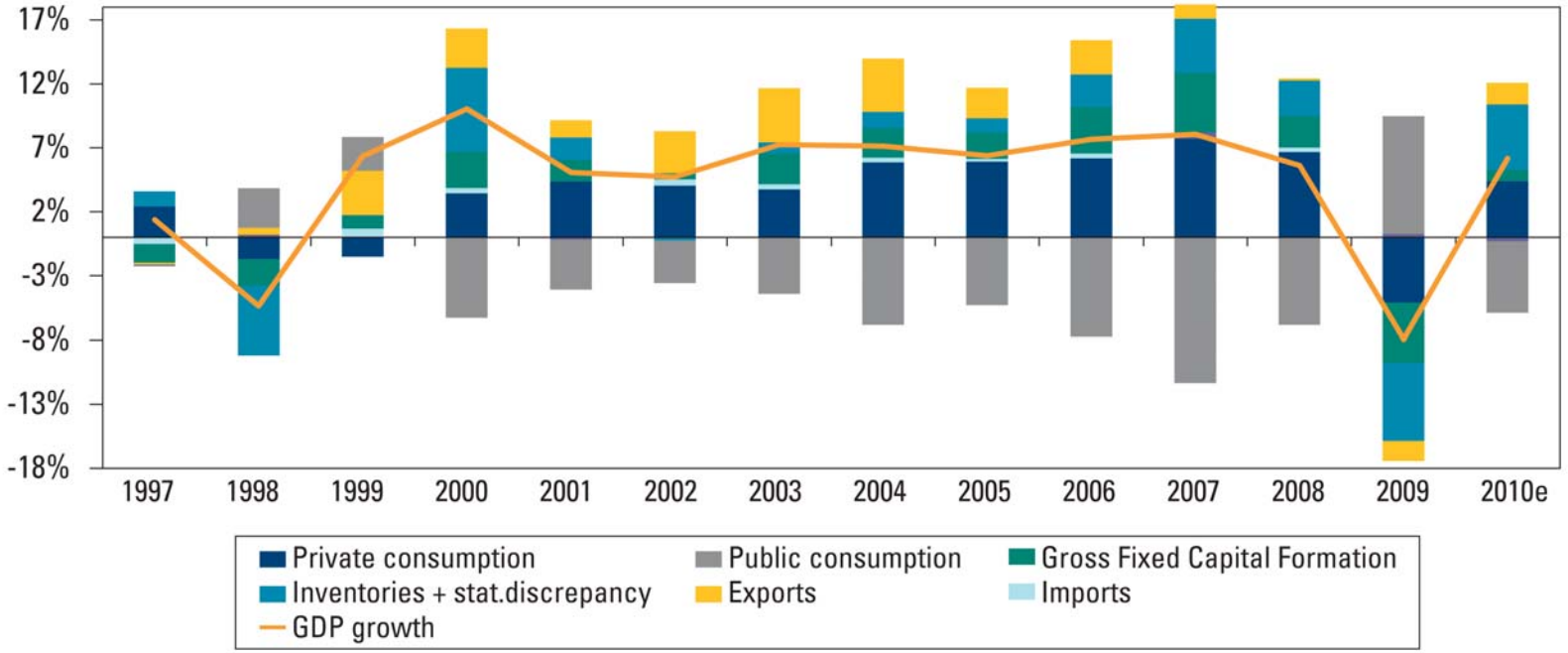


Russia: Relative Stability in a Turbulent World?



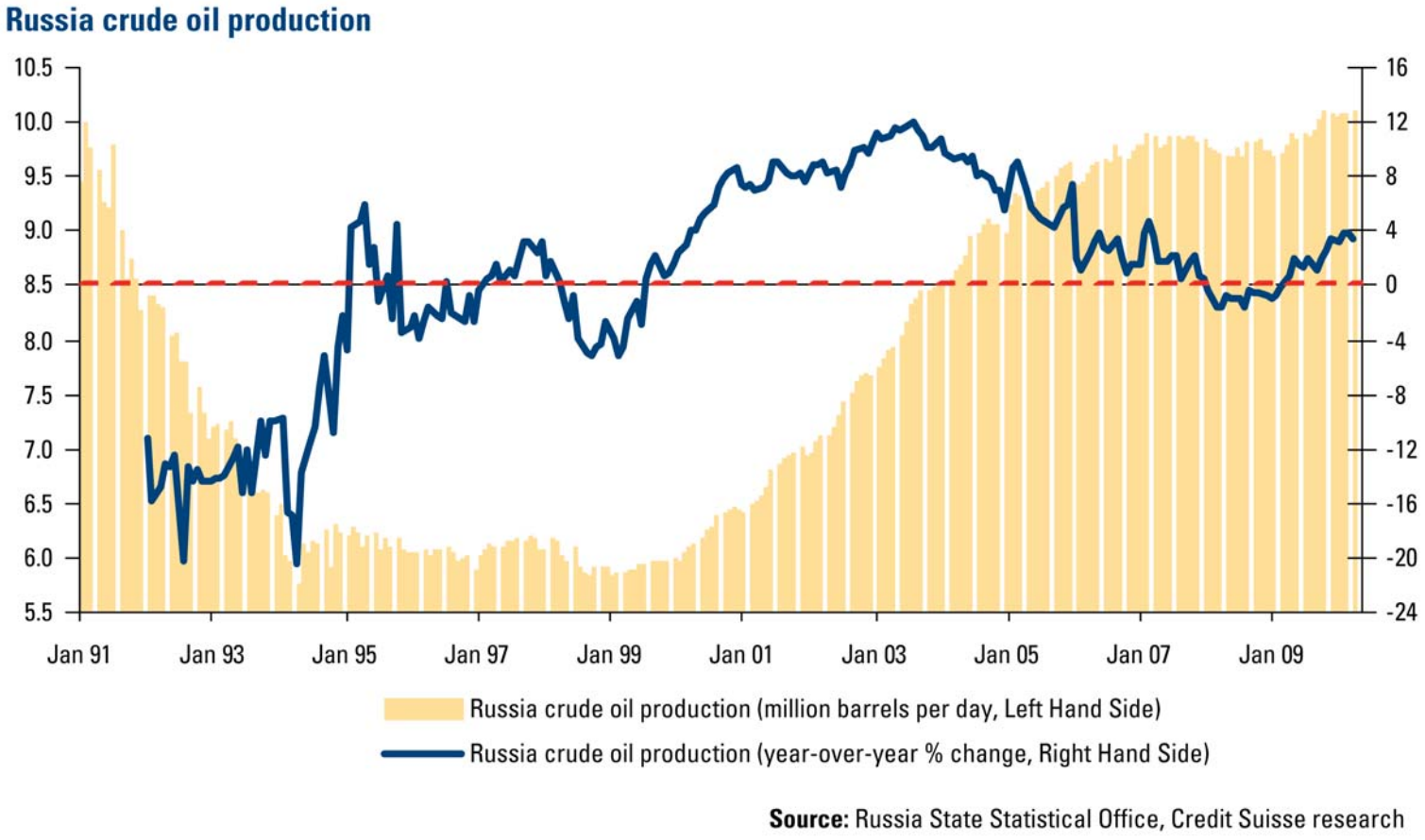
Russia: GDP Growth Averaged 7%

Citigroup Raises Expectations for Russia's GDP Growth to 6.2% in 2010



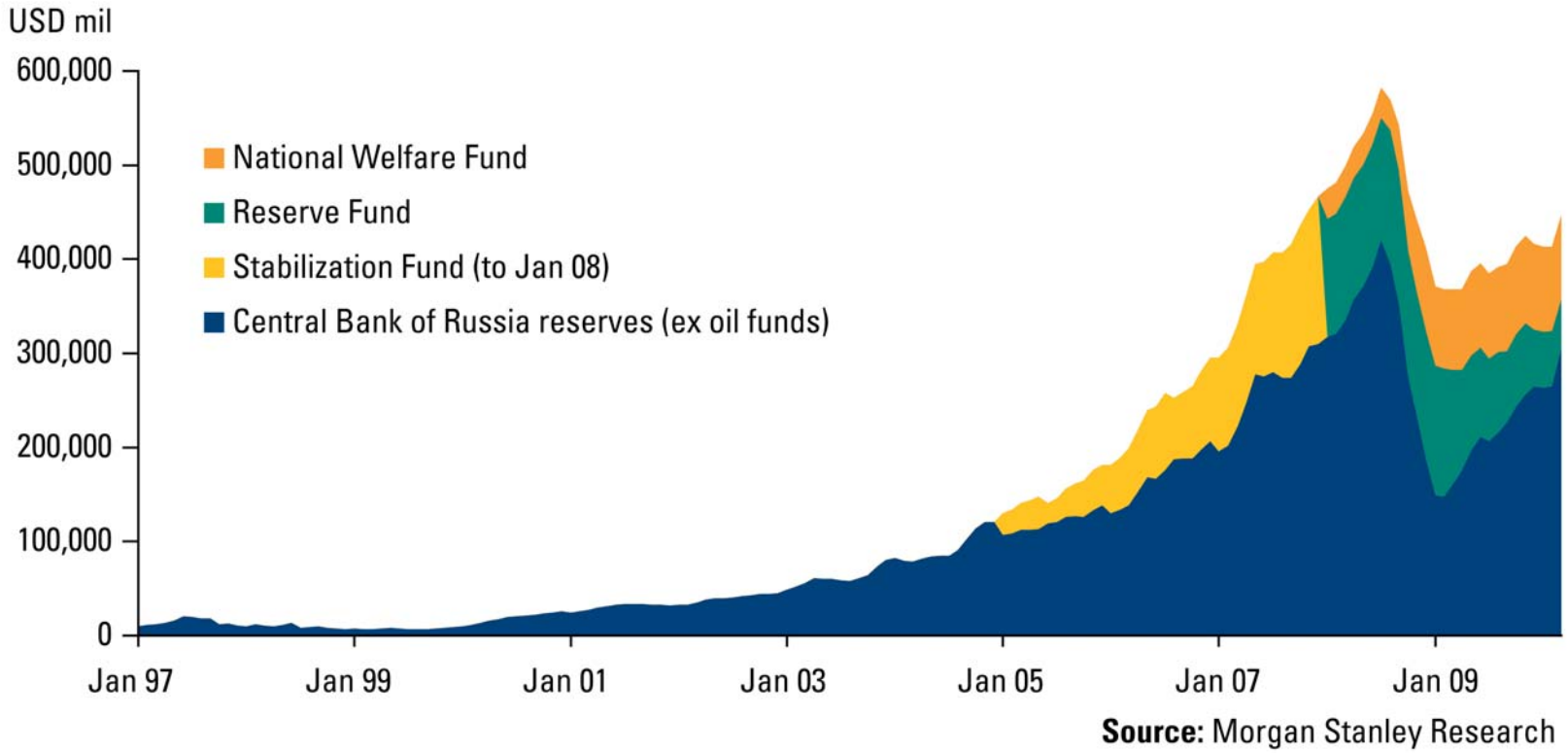
Source: Haver, CIRA estimates (09-10)

Russia: Crude Oil Production Recovery



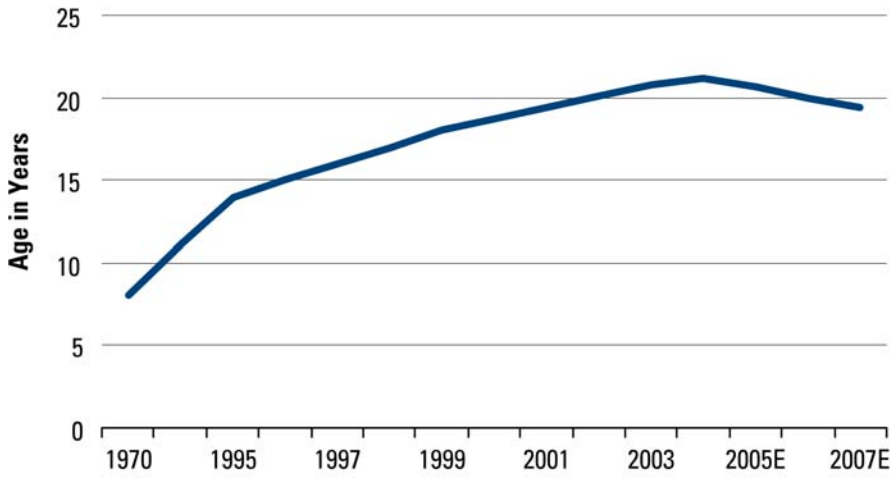
Source: Russia State Statistical Office, Credit Suisse research

Russia: Foreign Exchange Reserves



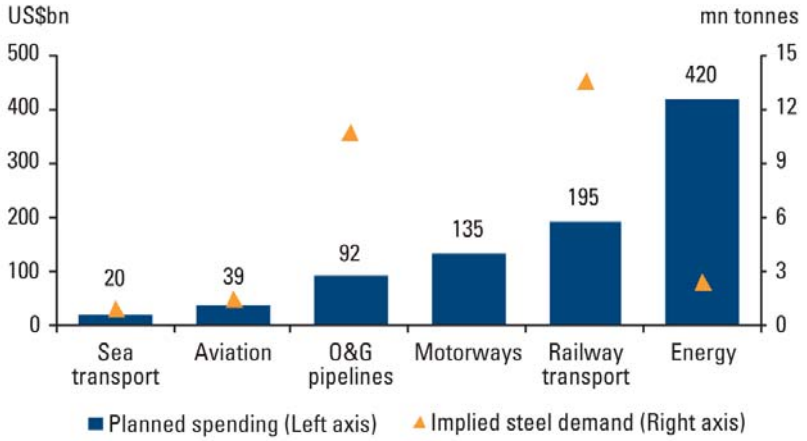
Russia: Infrastructure Spending

Age structure of Russian capital equipment in industry



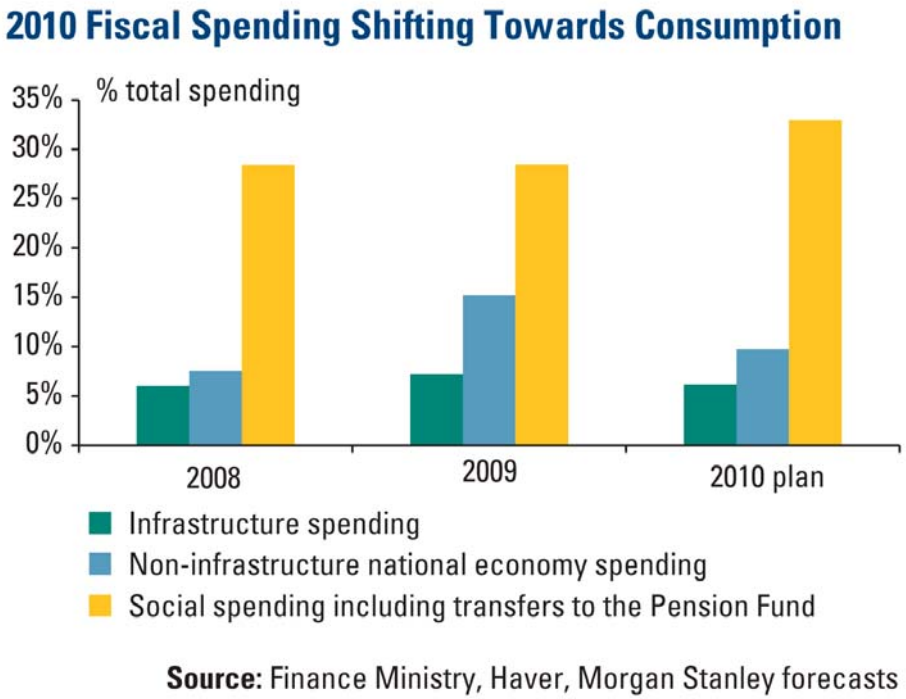
Source: State Statistics Service

Russian State $900bn
2010-15 investment program

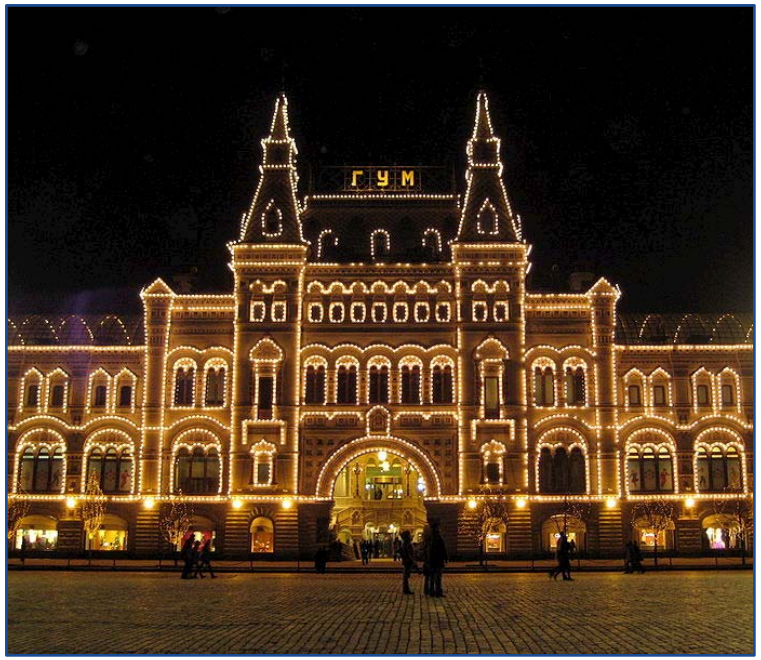


Source: Morgan Stanley

Russia: Fiscal Spending Shifting Toward Consumption



Source: Finance Ministry, Haver, Morgan Stanley forecasts



GUM Department Store Mall, Moscow, Russia
Photo by Markus Bernet

Russia: Key Investment Themes in 2010

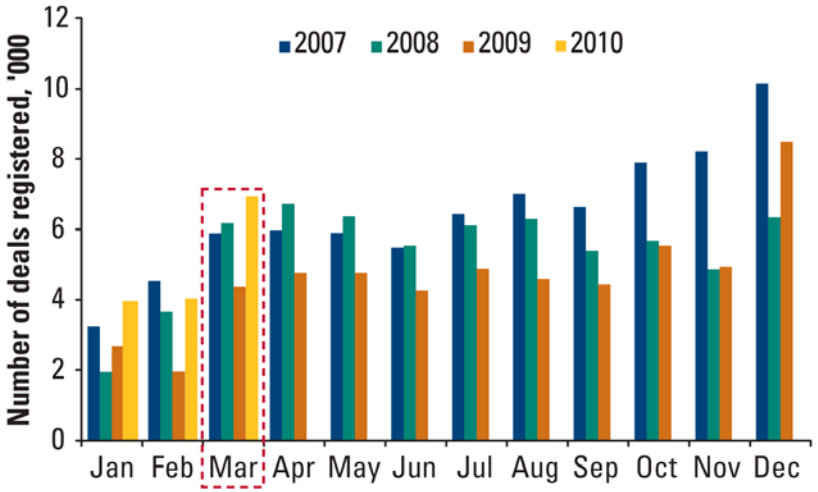
- Reorientation of budget outlay toward capital spending benefiting the metals sector
- Recovery in construction is also beneficial for the metals sector
- Surge in IPO and SPO issuance short term threat but longer term positive factor that raises liquidity and diversity of Russia's equity market
- Shift in fiscal spending towards consumption supports consumer theme

BRIC Summit Yekaterinburg, Russia June 17-20

Indian Prime Minister Manmohan Singh | *Russian President Dmitry Medvedev* | *Chinese President Hu Jintao* | *Brazilian President Luiz Inacio Lula da Silva*

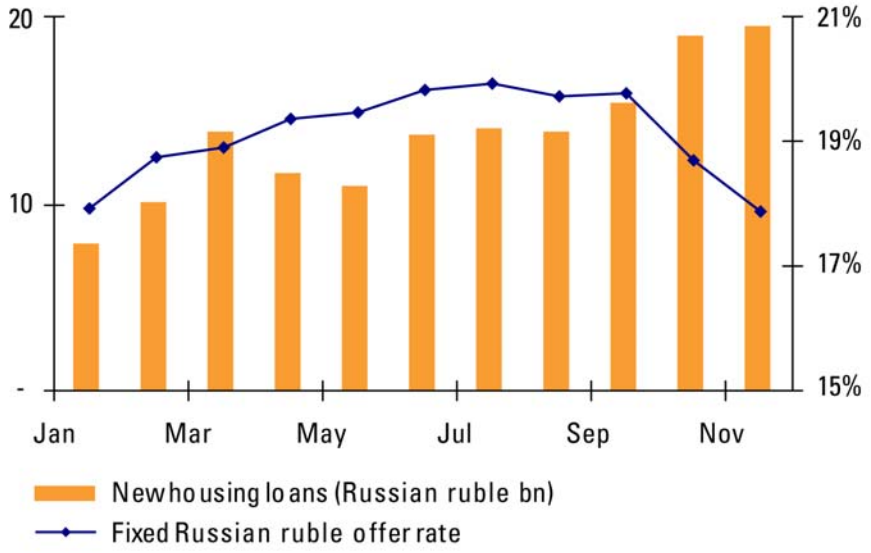
Russia: Housing Demand

Number of deals in the Moscow secondary market already exceeds the levels of 2007 and 2008 bull market



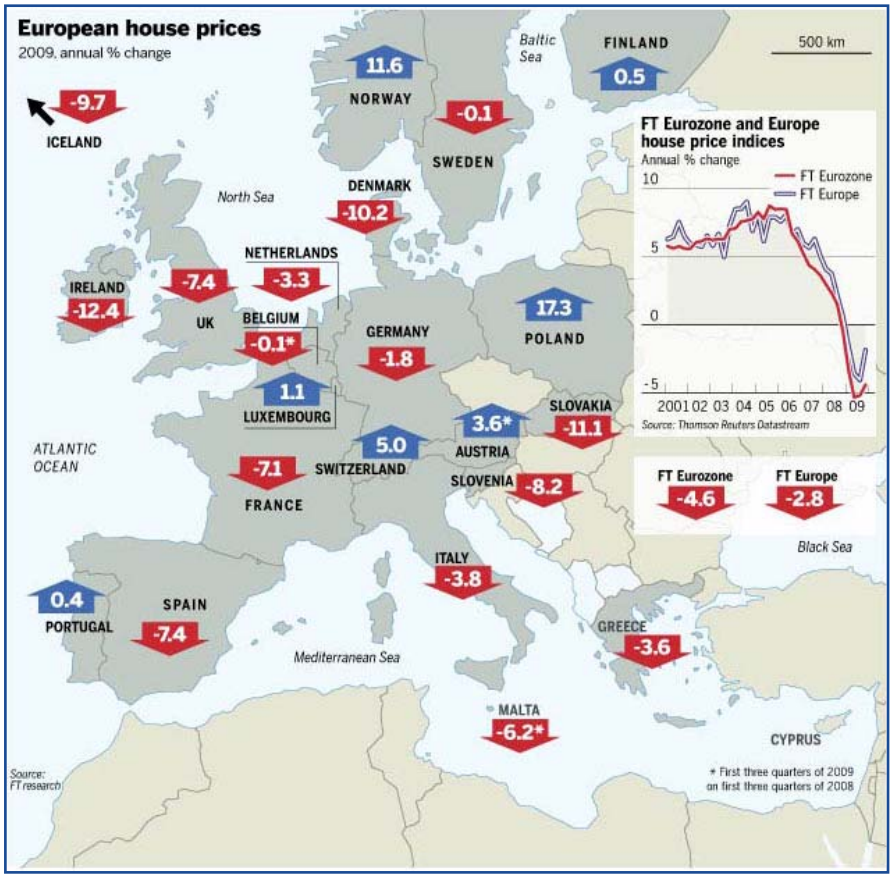
Source: Federal Registry Agency

Housing Loans Grow as Mortgage Rates Decline in Russia



Source: CBR, AHML, Deutsche Bank

Change in House Prices in Europe in 2009



Source: Financial Times

Houses in Jędrzejów, Poland

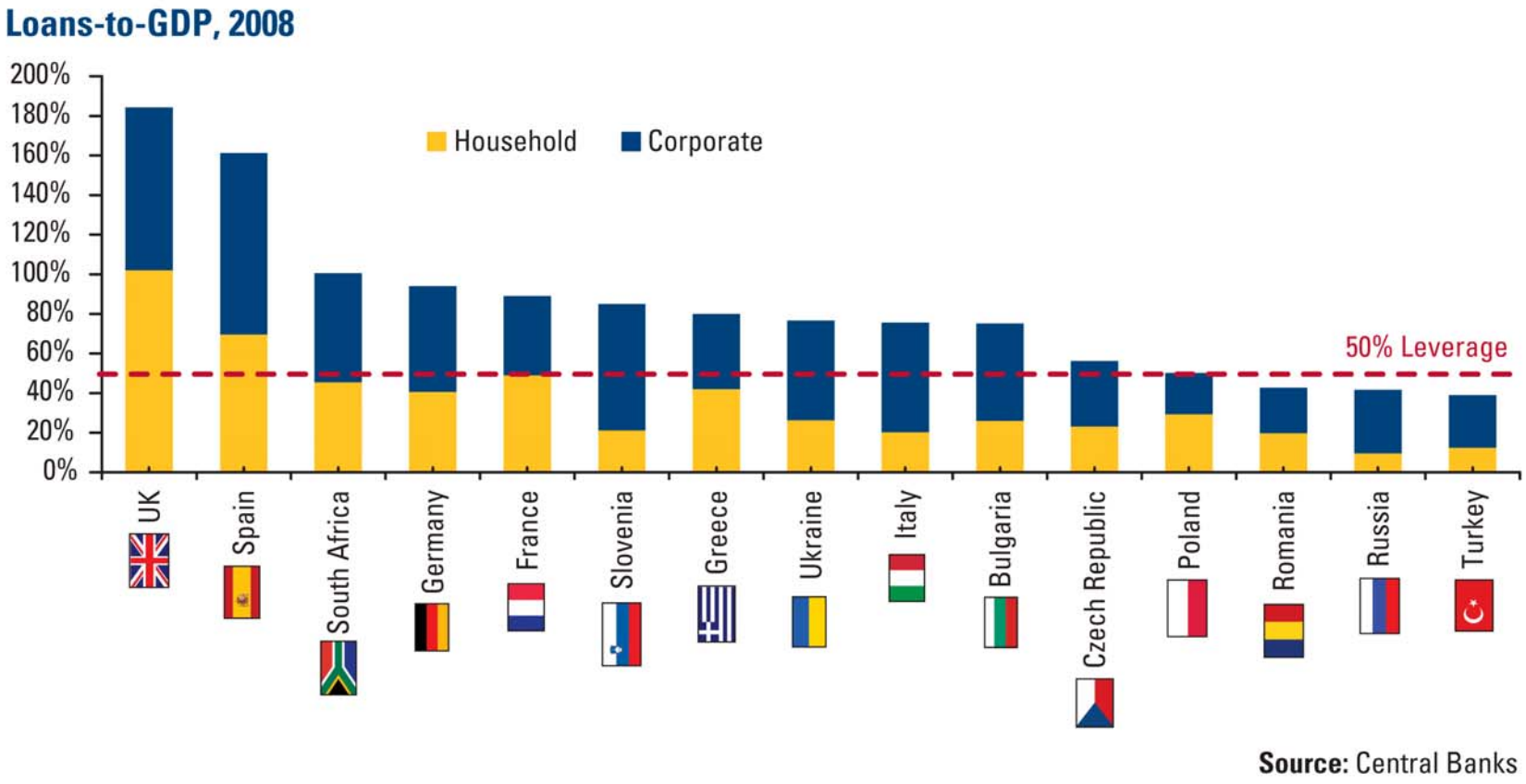
Banking Penetration in Central and Eastern Europe

	Loans to GDP	Deposits to GDP
Poland	52.3%	51.0%
Czech Republic	57.5%	75.2%
Hungary	n/a	n/a
Ukraine	82.0%	n/a
Romania	48.4%	32.5%
Bulgaria	81.1%	66.6%

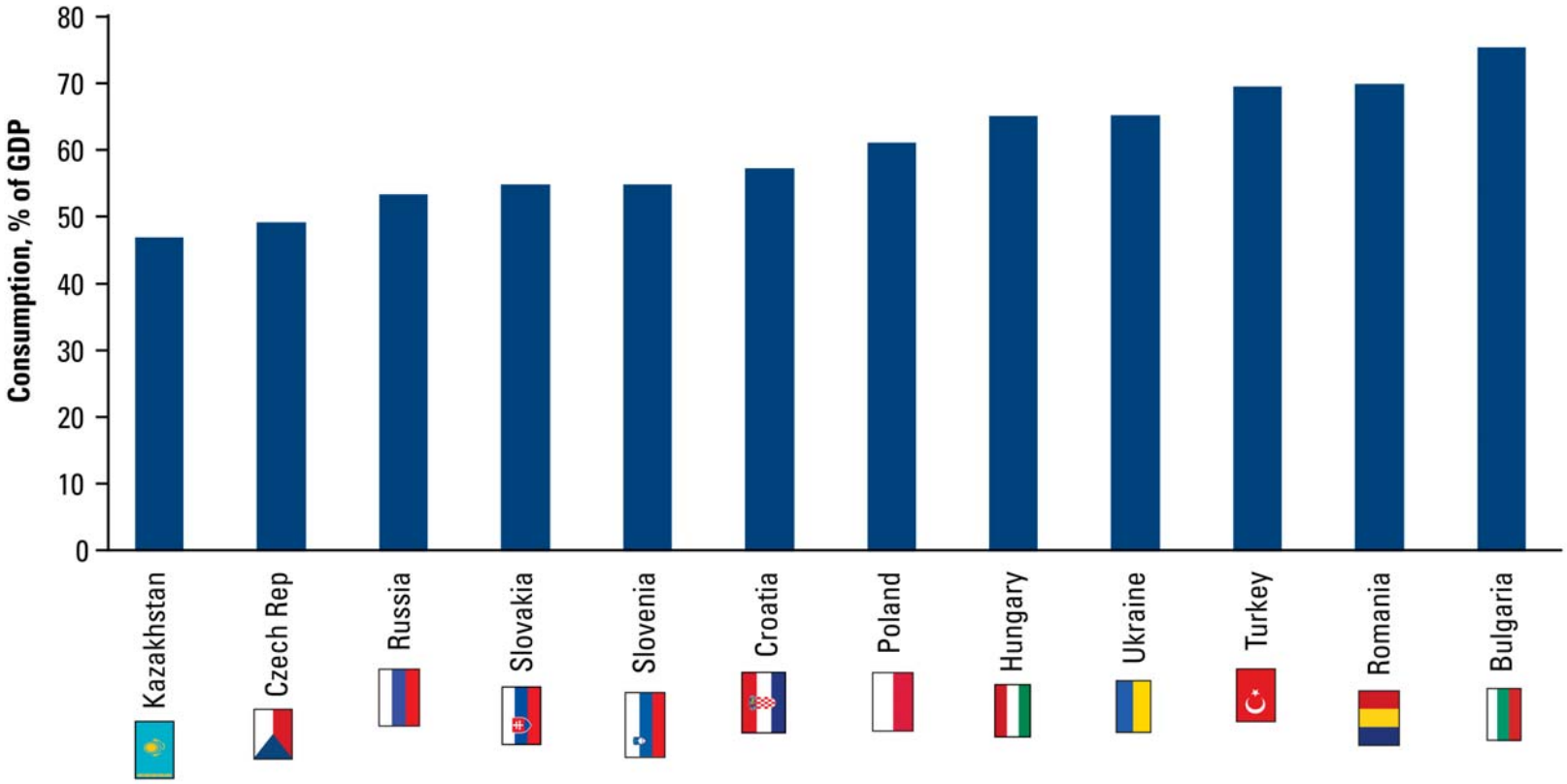
Source: Citigroup, Central Bank Data, IMF

BRE bank in Warsaw, Poland

Loans-to-GDP – Western Europe vs. Emerging Europe

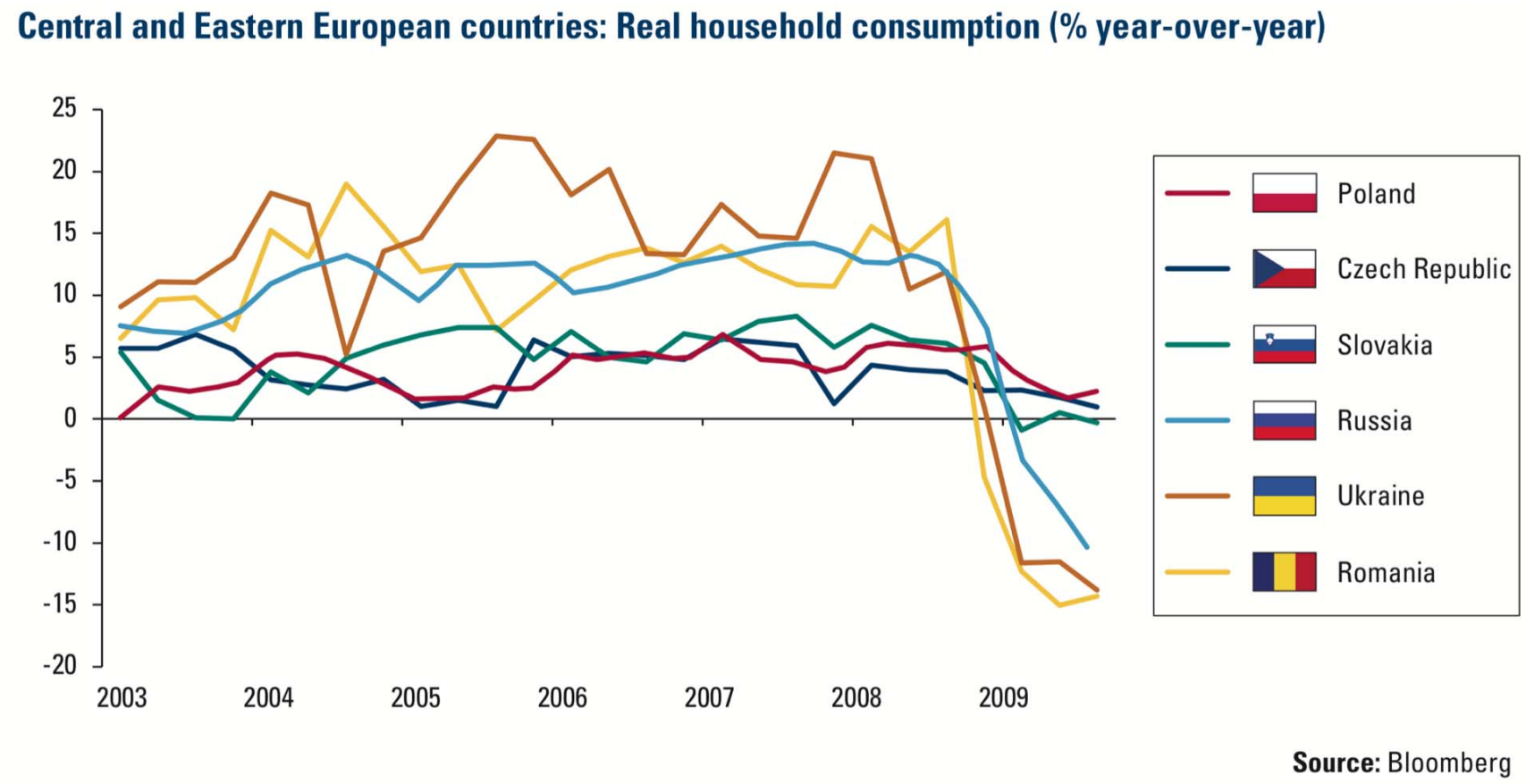


Consumption-to-GDP in Emerging Europe



Source: UniCredit. Data as of 2009.

Central and Eastern European Countries: Real Household Consumption



Turkey: Main Driver of Domestic Demand is Demographics

Turkey

- Population : ~73 million
- Population growth rate : ~ 1.5%
- Population under age 28: 50%
- Population under age 15 : 28%
- Number of households : 17.5 million
- New household formation: 2.5 %
- Number of marriages: ~ 650,000

	Number of Households (millions)	Population (millions)	Average Household Number
Turkey	17.6	73.3	4.2
Germany	39.2	82.4	2.1
France	25.6	59.3	2.6
UK	24.7	59.0	2.3
Italy	21.7	56.2	2.7
Ukraine	18.5	47.6	2.7
Spain	15.9	41.6	2.8

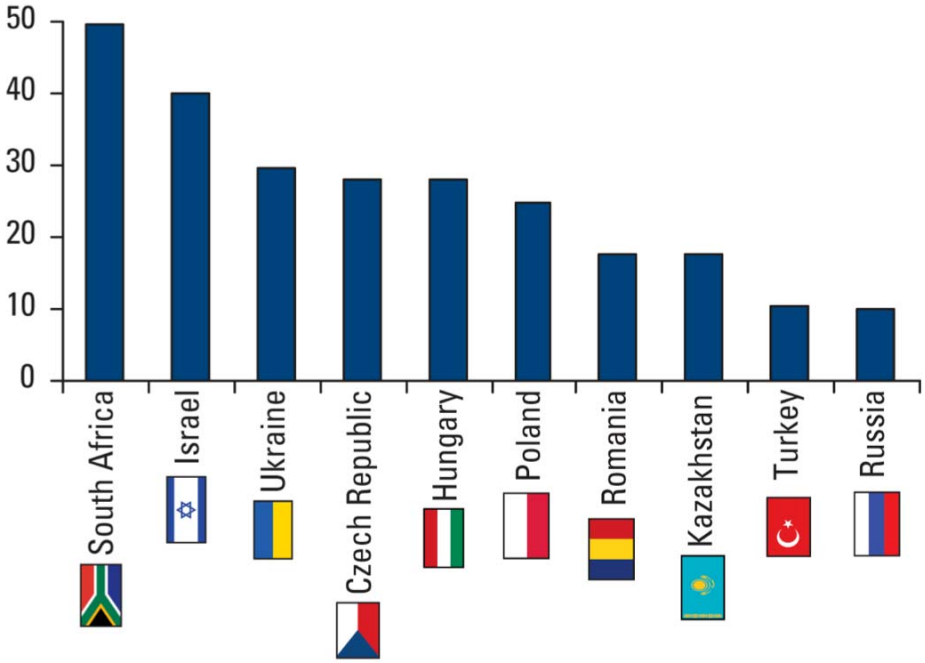
Source: Arçelik A.S.

Turkey: Change to a Low Inflationary Environment Opens an Opportunity

Traffic in Istanbul, Turkey

Turkey: Consumers are Not Very Leveraged, and Bank Loan-to-Deposit Ratios are High

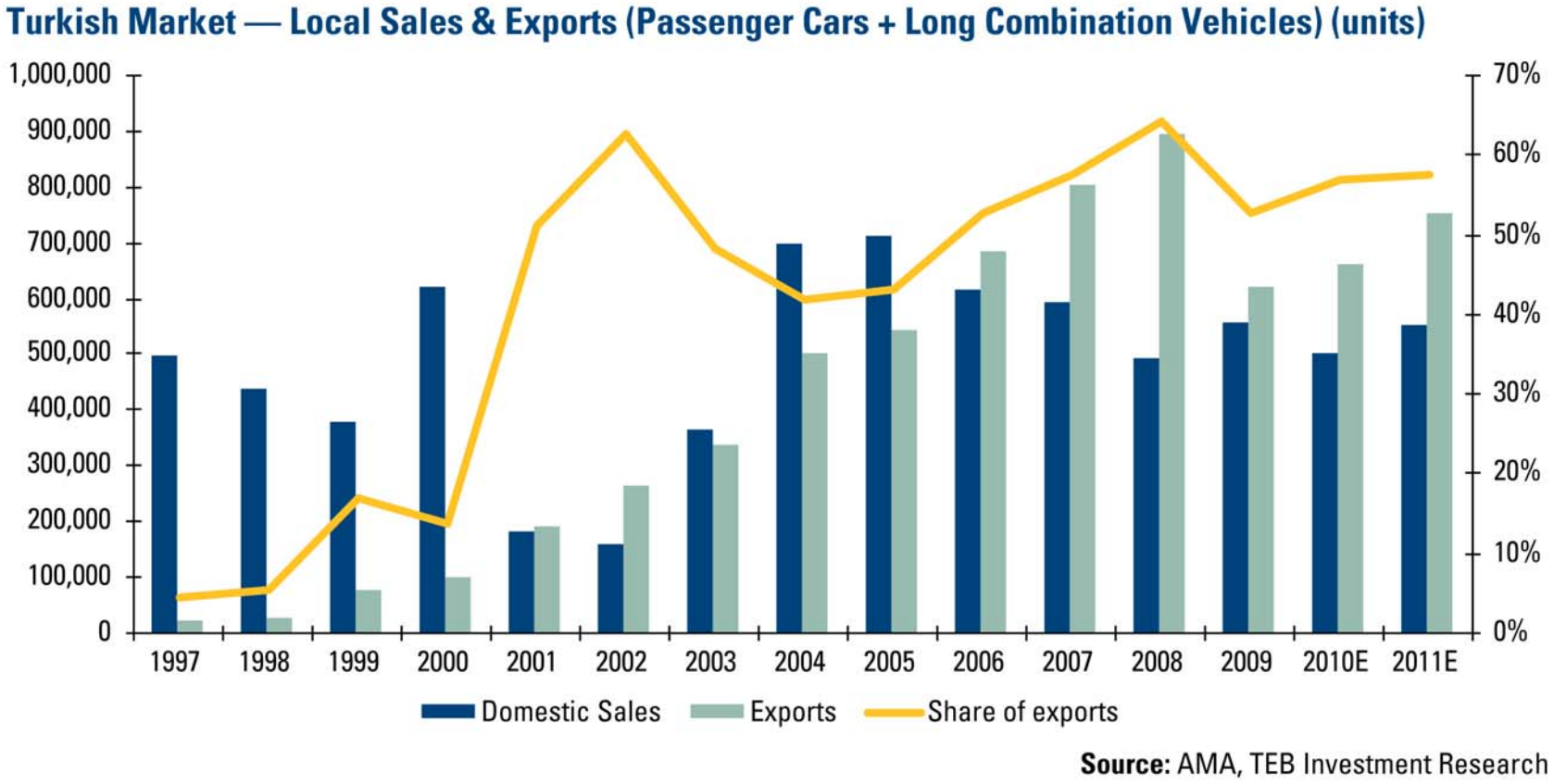
Household debt as % of GDP (2008)



Source: World Bank, BofA Merrill Lynch Global Research

ATM in Turkey

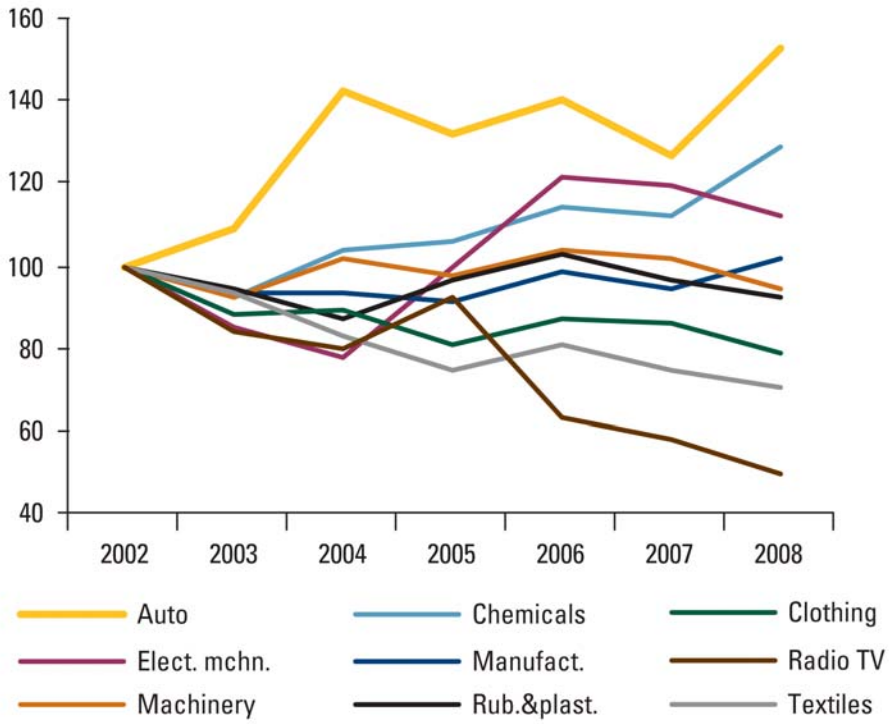
Turkey: Auto Industry – Local Sales and Exports



Source: AMA, TEB Investment Research

Turkey: Autos are at the Top of External Competitiveness Index

Manufacturing industry competitiveness*

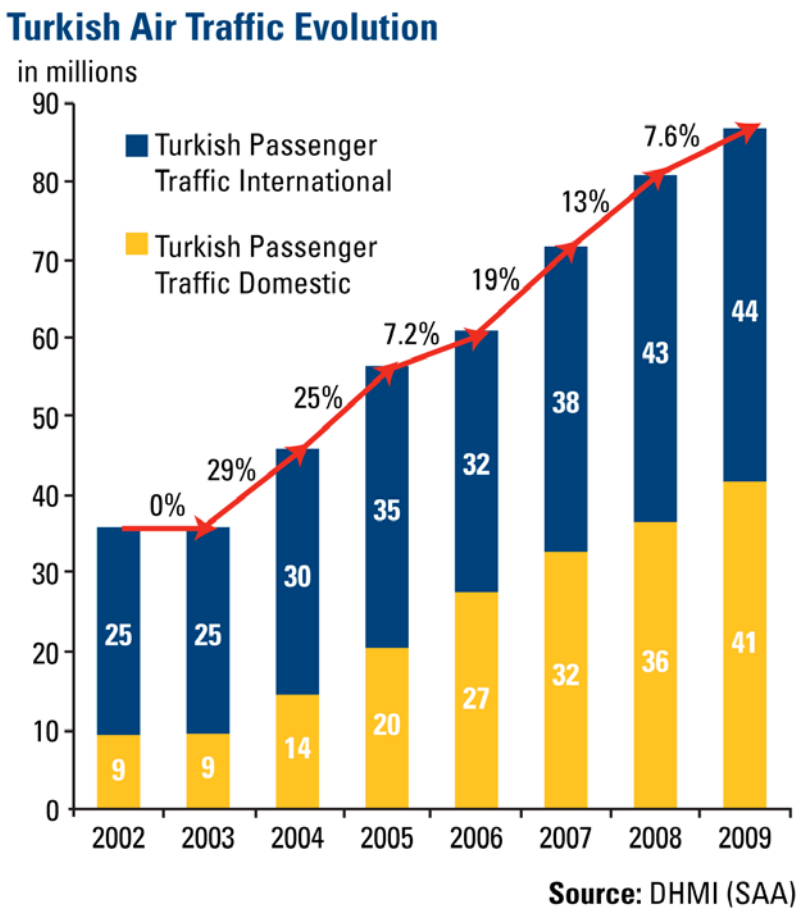


* External competitiveness indicator based on the TRY unit labor cost per hour worked and TRY export prices in the manufacturing industry

Source: BAS-ML

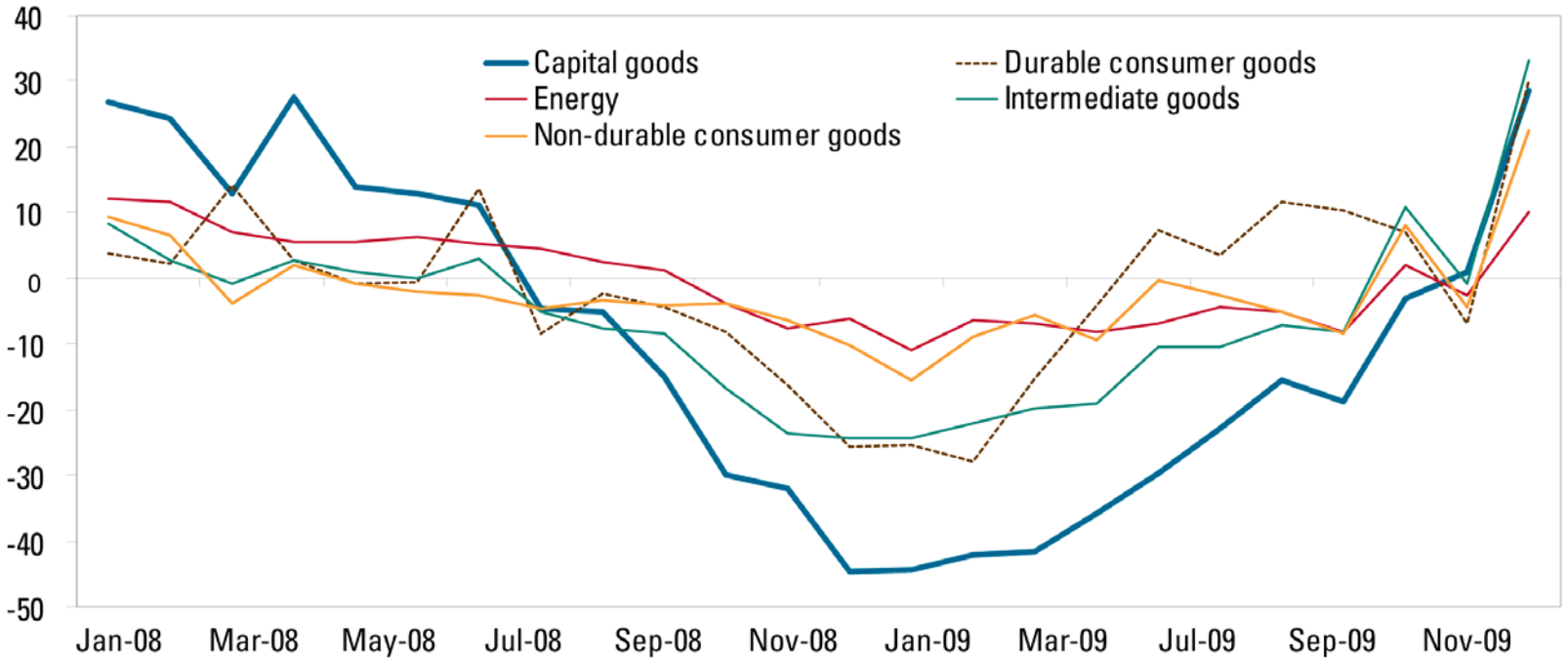
Tofaş automotive plant in Bursa, Turkey

Turkey: Air Traffic Reached 85 Million in 2009



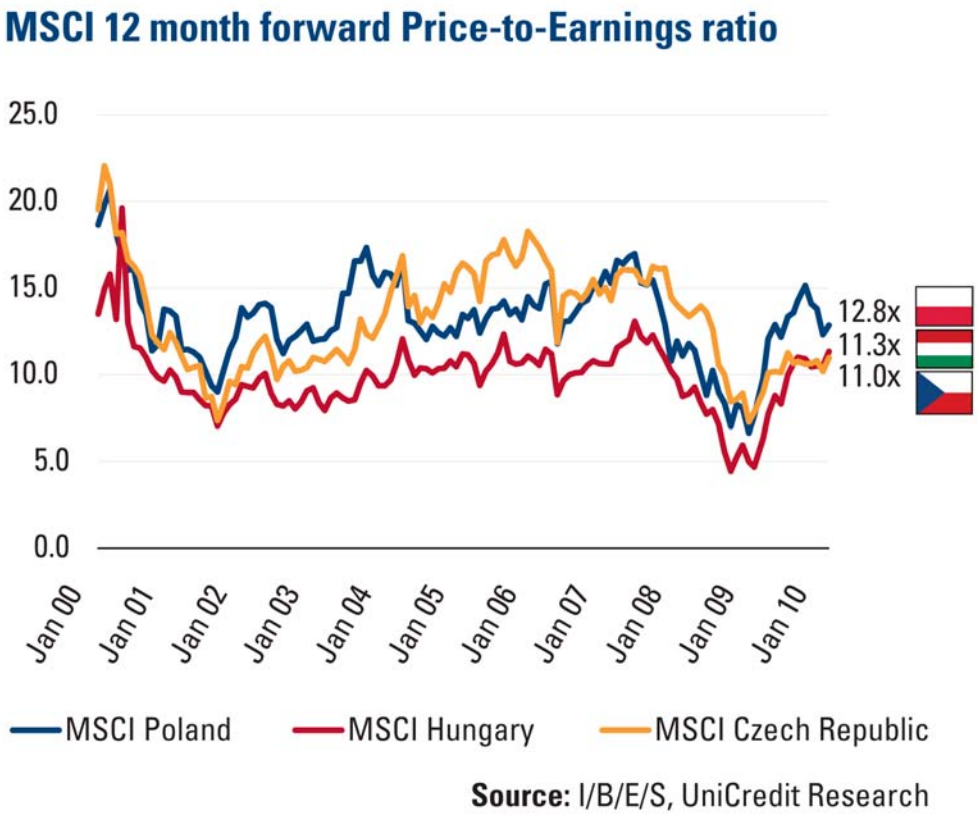
Turkey: Strong Rebound in Industrial Production

Industrial Production: Components (% year-over-year)



Source: Ecowin

Valuations in Poland, Hungary and Czech Republic



Old Town Square, Prague, Czech Republic

New Equity Issuance in Emerging Europe

Potential IPO / SPO issues in 2010*

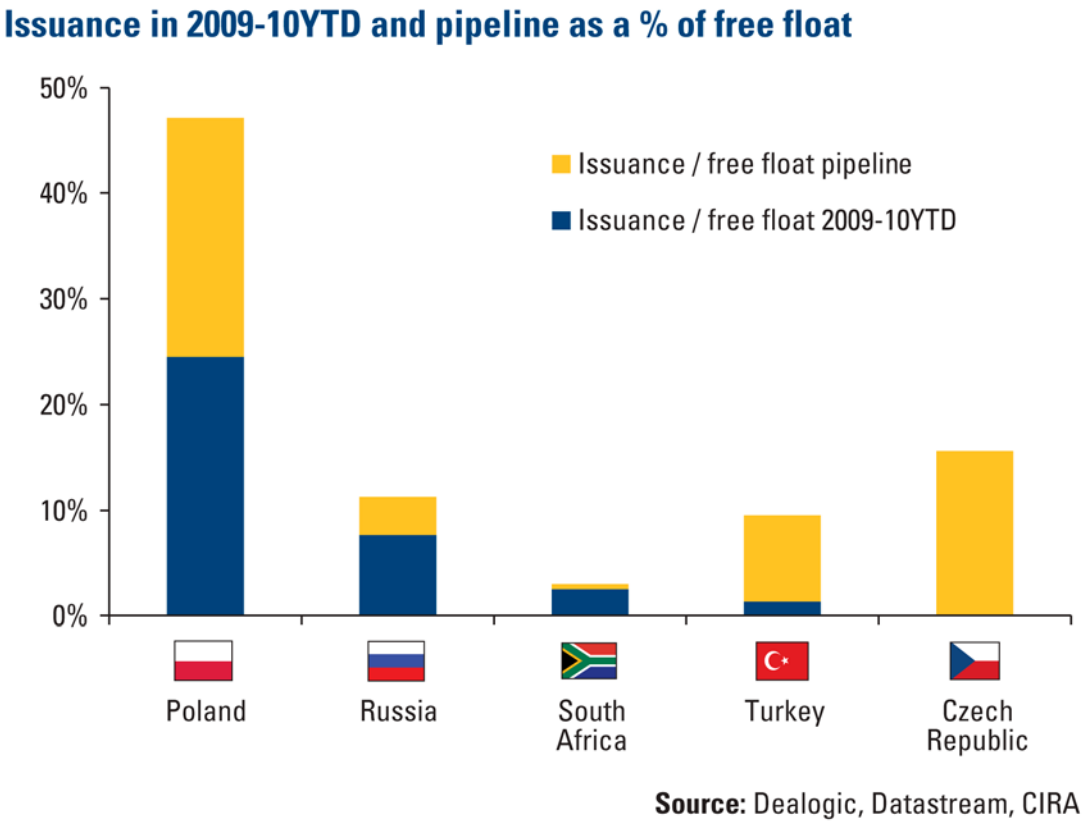
Czech Republic	Sector	EUR mn
CSOB	Banks	800

Hungary	Sector	EUR mn
K&H	Banks	N/A
MVM	Energy	N/A
Szerencsej.	Gambling	N/A
Waberer's H	Transport	N/A

Poland*	Sector	EUR mn
Tauron	Utilities	2,000
PGE	Utilities	2,000
Polkomtel	Telecoms	1,750
PZU	Insurance	1,250
BRE	Banks	500
Warsaw Stock	Financial	350
Bogdanka	Metals	350
TPSA	Telecoms	250
AVG	IT	250
Black Red W.	Retail	250
TU Europe	Insurance	100
Kulczyk Oil	Oil & Gas	N/A

*IPOs/SPOs in Poland, excluding restricted stocks
Source: Bloomberg, IFR, Mergermarket, UniCredit

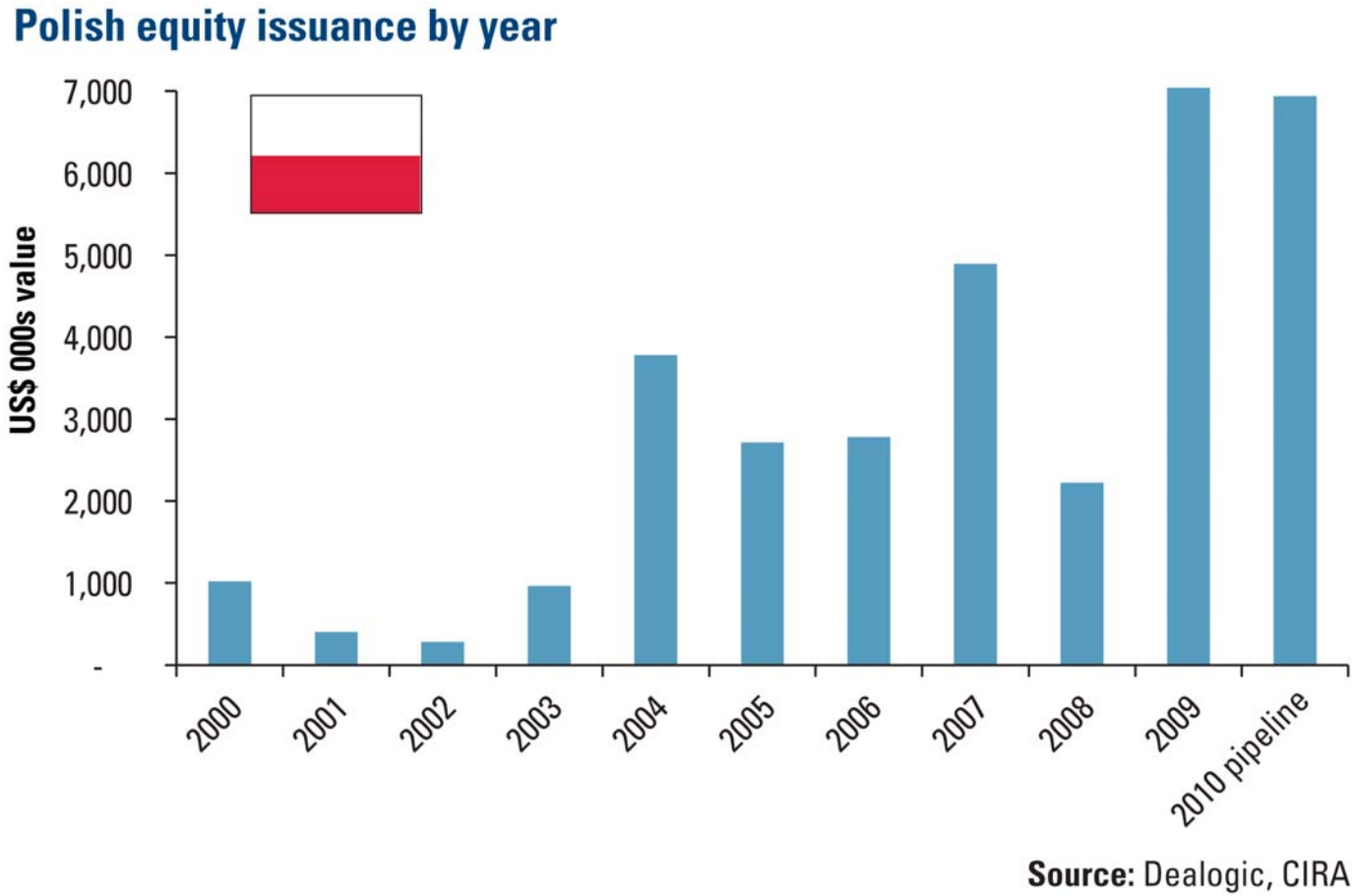
Issuance in 2009-10YTD and Pipeline as a % of Free Float



The free float of a company is defined as those shares that are readily available for trading.

Zygmunt's Column, Warsaw, Poland

Polish Equity Issuance by Year



Fund Snapshot — Eastern European Fund

Ticker: EUROX

Fund Category: Emerging Markets

AUM: $462.9 million as of 3/31/2010

Portfolio Team:

Frank Holmes
John Derrick
Jack Dzierwa
Tim Steinle

Annunication Cathedral of the Moscow Kremlin, Russia

Fund Snapshot — EUROX

About the Fund

The Eastern European Fund focuses on a region that is still in the early stages of industrial, economic and market development in the post-Soviet era. The region is rich in natural resources and many of the countries have only recently begun to embrace capitalist government policies.

Fund Objective

The Eastern European Fund seeks long-term growth of capital by investing in the Eastern European region.

Fund Strategy

The fund invests in dynamic companies in the Eastern European region including Russia, the Czech Republic, Hungary, Poland and other countries of the region.

The fund evaluates each of these countries' strengths based on currency rates, GDP growth, interest rates and political stability.

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 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.

Fund Snapshot — EUROX

Top 10 Equity Holdings

as a percentage of net assets

Sberbank of Russian Federation	10.18%
Lukoil OAO	5.99%
Rosneft Oil Co	5.97%
Gazprom OAO	5.62%
Turkiye Garanti Bankasi AS	5.36%
NovaTek OAO	4.38%
OTP Bank PLC	3.40%
TMK OAO	2.68%
Mechel	2.58%
VTB Bank OJSC	2.39%
Percentage of total net assets in top 20 holdings	**67.22%**
Total number of holdings	**58**

As of 3/31/10

Astronomical Clock in Prague, Czech Republic

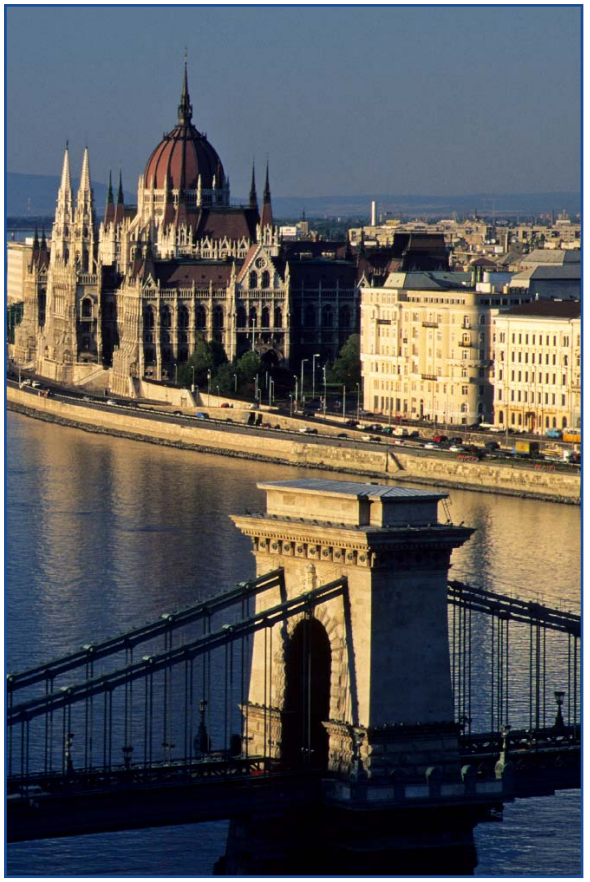
Fund Snapshot — EUROX

Industry Breakdown

as a percentage of total investments

Commercial Banks Non-US	29.77%
Oil Companies - Integrated	14.22%
Oil Companies - Exploration & Production	11.83%
Cellular Telecommunications	5.09%
Metal - Iron	4.45%
Steel - Producers	4.36%
Food - Retail	4.19%
Metal - Diversified	3.37%
Steel Pipe & Tube	2.80%
Telecommunication Services	2.23%
Electric - Distribution	1.83%
Electric - Integrated	1.78%
Gold Mining	1.62%
Medical - Drugs	1.47%
Agricultural Chemicals	1.36%
Other	9.63%

As of 3/31/10



Budapest, Hungary

Fund Snapshot — EUROX

Top 10 Regional Breakdown

as a percentage of net assets (Country of incorporation)

Russia	59.59%
Turkey	14.14%
Poland	7.93%
Hungary	4.80%
Netherlands	2.59%
Canada	1.85%
Czech Republic	1.75%
Bermuda	1.16%
Luxembourg	1.03%
Greece	0.63%

As of 3/31/10

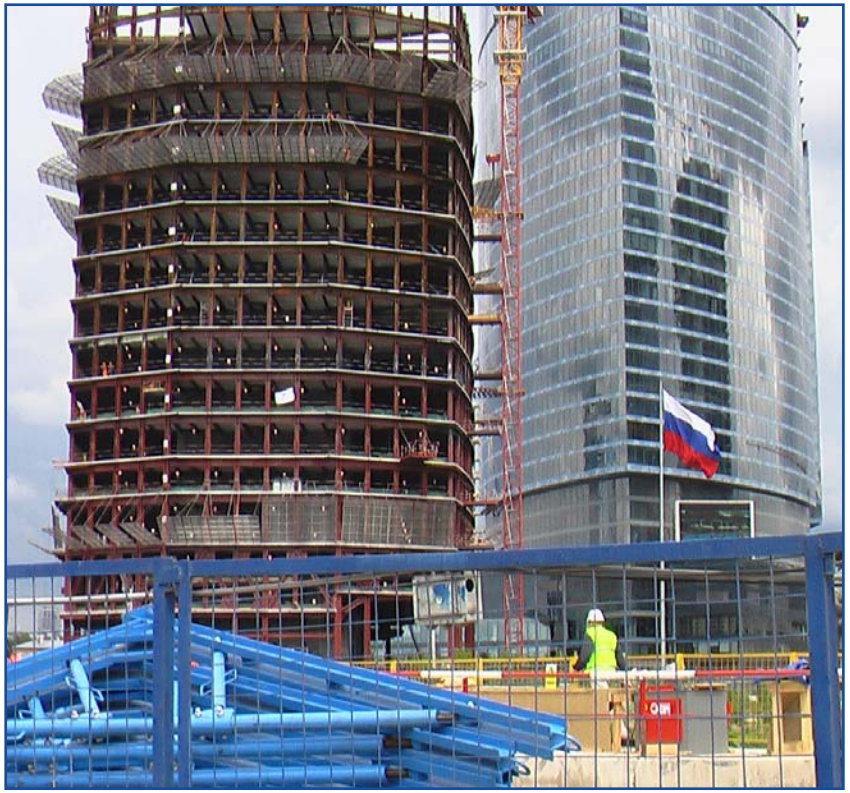


Photo by Tim Steinle of construction in Russia

Fund Performance

As of 3/31/2010	1-Year	5-Year	10-Year	Gross Expense Ratio	Capped Expense Ratio
Eastern European Fund (EUROX)	102.53%	7.19%	13.87%	2.14%	2.85%
MSCI EM Europe 10/40 Index	120.83%	12.66%	10.64%	n/a	n/a

Gross expense ratio as stated in the most recent prospectus. Capped expense ratio is a voluntary limit on total fund operating expenses (exclusive of any acquired fund fees and expenses, performance fees, taxes, brokerage commissions and interest) that U.S. Global Investors, Inc. can modify or terminate at any time. Performance data quoted above is historical. Past performance is no guarantee of future results. Results reflect the reinvestment of dividends and other earnings. Current performance may be higher or lower than the performance data quoted. The principal value and investment return of an investment will fluctuate so that your shares, when redeemed, may be worth more or less than their original cost. Performance does not include the effect of any direct fees described in the fund's prospectus (e.g., short-term trading fees of 2.00%) which, if applicable, would lower your total returns. Obtain performance data current to the most recent month-end at www.usfunds.com or 1-800-US-FUNDS. High double-digit returns are attributable, in part, to unusually favorable market conditions and may not be repeated or consistently achieved in the future.

View Our Interactive Map of Eastern Europe at www.usfunds.com

Disclosures

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 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. Gold, precious metals, and precious minerals funds may be susceptible to adverse economic, political or regulatory developments due to concentrating in a single theme. The prices of gold, precious metals, and precious minerals are subject to substantial price fluctuations over short periods of time and may be affected by unpredicted international monetary and political policies. We suggest investing no more than 5% to 10% of your portfolio in these sectors. The Consumer Price Index (CPI) is one of the most widely recognized price measures for tracking the price of a market basket of goods and services purchased by individuals. The weights of components are based on consumer spending patterns. The MSCI Emerging Markets Europe 10/40 Index (Net Total Return) is a free float-adjusted market capitalization index that is designed to measure equity performance in the emerging market countries of Europe (Czech Republic, Hungary, Poland, Russia, and Turkey). The index is calculated on a net return basis (i.e., reflects the minimum possible dividend reinvestment after deduction of the maximum rate withholding tax). The index is periodically rebalanced relative to the constituents' weights in the parent index. The MSCI Emerging Markets Europe Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the emerging markets countries of Europe (Czech Republic, Hungary, Poland, Russia, and Turkey). The MSCI Poland Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in Poland. The MSCI Hungary Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in Hungary. The MSCI Czech Republic Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the Czech Republic. M2 Money Supply is a broad measure of money supply that includes M1 in adition to all time-realted desposits, savings deposits, and non-institutional money-market funds. Holdings in the Eastern European Fund as a percentage of net assets as of 3/31/10: Lukoil 5.99%, CSOB 0.00%, K&H 0.00%, MVM 0.00%, Szerencsej 0.00%, Waberer’s H 0.00%, Tauron 0.00%, PGE 0.00%, Polkomtel 0.00%, PZU 0.00%, BRE 0.00%, Warsaw Stock 0.00%, Bogdanka 0.00%, TPSA 0.00%, AVG 0.00%, Black Red W 0.00%, TU Europe 0.00%, Kulczyk Oil 0.00%, Turkiye Garanti Bankasi: 5.36%, Ford 0.00%, Turkish Airlines 0.00%, Boeing 0.00%, Severstal 0.55%, TNK BP 0.23%, Mobile Telesystems 1.98%, Tofas Turk Otomobil Fabrikasi AS 1.05%.

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