Global Infrastructure
Gets a Domestic Boost

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Portfolio Manager
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Portfolio Manager
Global MegaTrends Fund (MEGAX)
Fund Recognition

Investment leadership results in performance

Winner of 26 Lipper Fund Awards and certificates since 2000
Cycles – Where are we on the…

Kuznets Cycle – 20-year Emerging Market Cycle That Drives Commodity Demand

Presidential Election Cycle – 4-Year Cycle

Seasonal Cycle – Commodity and Stock Market Patterns
Multidisciplinary Focus

**TOP DOWN**
- Economic Outlook
- Political/Legislation Environment
- Currency Effects
- Quant Models

**SWOT**

**BOTTOM UP**
- Company Fundamentals
- Critical Drivers
- Valuations
- Quant Models

*SWOT analysis (Strength, Weakness, Opportunity, Threat). Alpha is a measure of the difference between a fund’s actual returns and its expected performance, given its level of risk as measured by beta.*
New Focus on Infrastructure

“We will build the roads and bridges, the electric grids and digital lines that feed our commerce and bind us together.”

— President Obama, Inaugural Speech
Obama Stimulus Plan

Obama Administration Begins: Fiscal Stimulus is Top Priority

$825B Two-Year Package Expected

- Social Programs 26%
- Tax Cuts & Other Programs 35%
- State and Local Spending 18%
- Infrastructure Spending 21%

Source: American Recovery and Reinvestment Bill of 2009
Infrastructure Spending

Infrastructure within “American Recovery and Reinvestment Bill of 2009” — $174 Billion

- Modernize Federal/ Public Infrastructure: $31 Billion
- Transform Energy Grid: $32 Billion
- Highway Construction: $30 Billion
- New School Modernization & Repair: $14 Billion
- Public Housing Repair: $22 Billion
- Water Treatment: $19 Billion
- Technology Investments: $16 Billion
- Transit and Rail: $10 Billion

Source: American Recovery and Reinvestment Bill of 2009
# Fiscal Stimulus Around the World

<table>
<thead>
<tr>
<th>E-7</th>
<th>GDP (2007 est)</th>
<th>Fiscal Stimulus</th>
<th>Stimulus as a % of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>$3.25 trillion</td>
<td>$585.6 billion</td>
<td>18%</td>
</tr>
<tr>
<td>India</td>
<td>$2.97 trillion</td>
<td>$4.1 billion</td>
<td>Less than 1%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>$843.7 billion</td>
<td>$6.5 billion</td>
<td>Around 1%</td>
</tr>
<tr>
<td>Brazil</td>
<td>$1.85 trillion</td>
<td>$152 billion</td>
<td>12.1%</td>
</tr>
<tr>
<td>Pakistan</td>
<td>$411.9 billion*</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Russia</td>
<td>$2.10 trillion</td>
<td>$200 Billion</td>
<td>9.50%</td>
</tr>
<tr>
<td>Mexico</td>
<td>$1.35 trillion</td>
<td>$54 billion</td>
<td>4%</td>
</tr>
</tbody>
</table>

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<th>G-7</th>
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<th>Fiscal Stimulus</th>
<th>Stimulus as a % of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>$13.78 trillion</td>
<td>$1.52 trillion</td>
<td>11%</td>
</tr>
<tr>
<td>Japan</td>
<td>$4.38 trillion</td>
<td>$687.7 billion</td>
<td>15.7%</td>
</tr>
<tr>
<td>Germany</td>
<td>$3.32 trillion</td>
<td>$54-$67 billion</td>
<td>1.6 to 2%</td>
</tr>
<tr>
<td>France</td>
<td>$2.56 trillion</td>
<td>$35.3 billion</td>
<td>1.3%</td>
</tr>
<tr>
<td>UK</td>
<td>$2.77 trillion</td>
<td>$29.2 billion</td>
<td>1.1%</td>
</tr>
<tr>
<td>Italy</td>
<td>$1.8 trillion</td>
<td>$102 billion</td>
<td>5.6%</td>
</tr>
<tr>
<td>Canada</td>
<td>$1.27 trillion</td>
<td>$64 billion</td>
<td>5%</td>
</tr>
</tbody>
</table>

*Source: U.S. Global Research*

*$11 Billion Funding from IMF*
Demographics is the key

Emerging Markets will account for nearly three-quarters of the world’s urban population by 2015

- 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

Total Projected Cumulative Infrastructure Spending 2005-2030: $41 Trillion*

Source: Booz Allen Hamilton, Global Infrastructure Partners, World Energy Outlook, Organisation for Economic Co-operation and Development (OECD), Boeing, Drewry Shipping Consultants, U.S. Department of Transportation

*Figures are estimated as of late 2007.
China Dominates Asia ex-Japan’s Infrastructure Spending

Morgan Stanley estimates infrastructure spending in Asia ex-Japan will reach US$3.1 trillion over the next five years (2008-12E), about 6.2% of GDP. By comparison, annual spending in the US was just 1.7-2% of GDP over the past 10 years.

Asia Infrastructure Spending (2008-12E)

- China, 72%
- India, 17%
- Indonesia, 4%
- Korea, 3%
- Taiwan, 3%
- Rest of Asia, 2%

E = MS estimates    Source: CEIC, Morgan Stanley Research
25-30m People a Year Urbanizing in India and China from 2000-20

China Is Redefining Urbanization Scale

From 2005-25, Chinese cities will add more than 350 million people… … the population of the entire United States

There will be more than 200 Chinese cities with more than 1 million inhabitants… … in Europe today there are only 35 cities of that size

There will be up to 50,000 new skyscrapers… … the equivalent of building ten New Yorks

There could be up to 170 new mass transit systems… … in Europe today there are about 70

By 2025, two-thirds of China’s citizens will live in cities… … that’s nearly 1 billion people

China’s Electricity Growth


Generation capacity (GW)

<table>
<thead>
<tr>
<th>Year</th>
<th>Capacity (GW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>299</td>
</tr>
<tr>
<td>2000</td>
<td>319</td>
</tr>
<tr>
<td>2001</td>
<td>339</td>
</tr>
<tr>
<td>2002</td>
<td>357</td>
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<tr>
<td>2003</td>
<td>392</td>
</tr>
<tr>
<td>2004</td>
<td>443</td>
</tr>
<tr>
<td>2005</td>
<td>517</td>
</tr>
<tr>
<td>2006</td>
<td>624</td>
</tr>
<tr>
<td>2007E</td>
<td>710</td>
</tr>
</tbody>
</table>

Source: CLSA Asia-Pacific Markets

China’s power-grid investment plan (US$bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>Investment (US$bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>05A</td>
<td>25</td>
</tr>
<tr>
<td>06A</td>
<td>29</td>
</tr>
<tr>
<td>07E</td>
<td>33</td>
</tr>
<tr>
<td>08CL</td>
<td>38</td>
</tr>
<tr>
<td>09CL</td>
<td>44</td>
</tr>
<tr>
<td>10CL</td>
<td>50</td>
</tr>
</tbody>
</table>

Source: State Grid, Southern Grid, CLSA Asia-Pacific Markets
The Three Pillars of Growth

China's GDP by Expenditure (RMB bn)

Source: CEIC, J.P. Morgan estimates
Surging Purchasing Power in the Developing World

GDP/capita, current USD

An Income Gap Still Exists

2005 GDP/capita, current USD

Source: IMF, Morgan Stanley Commodity Research
Which Implies Large Increases in Resource Intensity

Source: Global Insight for population distribution; Rio Tinto estimates for commodity expenditure profiles.
Note: Expenditure profiles are based on Rio Tinto estimates of global income and consumption relationships and average real terms prices between 1990-2006. Iron ore and hard coking coal expenditure calculated based on crude steel demand projections, assuming all met by blast furnace production at historic average export prices.
Oil Consumption — Infrastructure Driver?

**Trading places:** The share of global oil consumption of the G7 and non-G7 countries has swapped places from 1975 to 2008.

**G7 barrels of oil consumed per year** actually peaked years ago, while for the non-G7 it continues to rise from a very low base of ~1/6th the G7 level.

But the coming oil windfall will dwarf anything we have seen yet. At an oil price of $70 per barrel, new research by the McKinsey Global Institute finds that Gulf oil export revenues will add up to $6.2 trillion over the next 14 years—more than triple the amount they earned over the past 14 years. At $100 oil, this will rise to almost $9 trillion.

* Based on spot prices. Realized prices may vary by producer

** Assumes $50 barrel of oil; Bahrain has negligible net oil supply, but does get allocated reserves from Saudi Arabia’s Abu Saafa offshore field and also purchases discounted oil from Saudi Arabia’s Dammam field.

Source: Bp World Energy Report; Global Insight; Business Monitor International; McKinsey Global Institute Energy Demand Model; McKinsey Global Institute Capital Flows Database; McKinsey Global Institute Analysis
Petro Dollars

Gas Turbine Orders by OPEC Member Countries vs. Crude Oil Futures Prices

Source: EIA, Industry Sources, Saudi Arabian Monetary Agency, and UBS estimates
Global Shift Due to Commodities
Government Wealth Accounts

Source: Peterson Institute, Alaska Permanent Fund, Australia Future Fund
2007 Figures

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New Paradigm

Massive Reserves, Improving Debt Ratings

- EMEs hold 70% of global foreign-exchange reserves
- Less prone to contagious crises than before
- Unlike the U.S. and other developed nations, EMs are net creditors, with improving debt ratings and foreign currency reserves
- 40% of EM debt now rated investment grade vs 3% a decade ago

Source: Merrill Lynch
On the Road to Recovery

1st Quarter Update
U.S. Recessions

Length of U.S Recessions
(number of months)

Average number of months for recessions (1945-2001): 10

Date recessions began

Source: National Bureau of Economic Research

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U.S. Money Supply and Nominal GDP

Source: CIBC World Markets Research
Improving Financial Conditions

Citi Financial Conditions Index (Leading 6-Months) and Real Consumer Durable Spending Y/Y %

Source: BEA, Citi
Infrastructure Boost

Every $1 billion in infrastructure creates 34,779 jobs and $6.2 billion in economic activity.

Source: Federal Transportation and Infrastructure Committee
Composition of China’s Fiscal Stimulus

Breakdown of China’s RMB 4trn Fiscal Stimulus Package

- Railways, highways, airports, power grids: 45.0%
- Post-disaster reconstruction: 25.0%
- Rural development & infrastructure: 9.3%
- Ecology and environment: 8.8%
- Affordable housing: 7.0%
- Independent innovation: 4.0%
- Health, culture and education: 1.0%

Total = RMB4 trillion ($585bn)

Proposed infrastructure spending by local governments approaching RMB 25trn ($3.65trn)

Source: NDRC

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Economic Improvement in December

CLSA China Manufacturing PMI™

*Increasing rate of growth*

*Increasing rate of contraction*

50 = no change on previous month, S.Adj.

Source: CLSA
China Retail Sales

Source: CLSA
China Bank Lending

China New Bank Lending Broke Record in December

New monthly flow lending (RMB bn)

- Nominal new loans (sa, 3mma)
- New loans/GDP (RHS)

Source: CEIC, UBS estimates
Diversified Investment Approach

In light of market volatility and in order to manage risk, we have diversified our portfolio to include:

- Construction/engineering companies
- Steel/resources
- Electric/water utilities
- Alternative energy (solar and wind)
- Listed infrastructure assets – airports, toll roads
- Integrated/mobile telecom operators
Disclosures

Please consider carefully the 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.

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Thank you for attending today’s webcast.

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