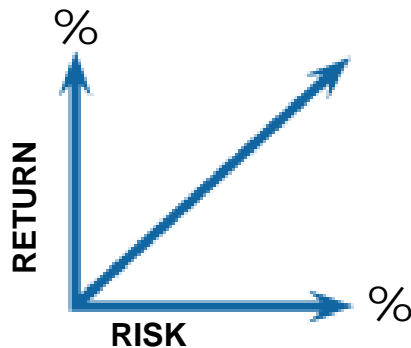




Anticipate Before You Participate

Understanding Market Volatility of Emerging Markets and Natural Resources is Key to Managing Expectations

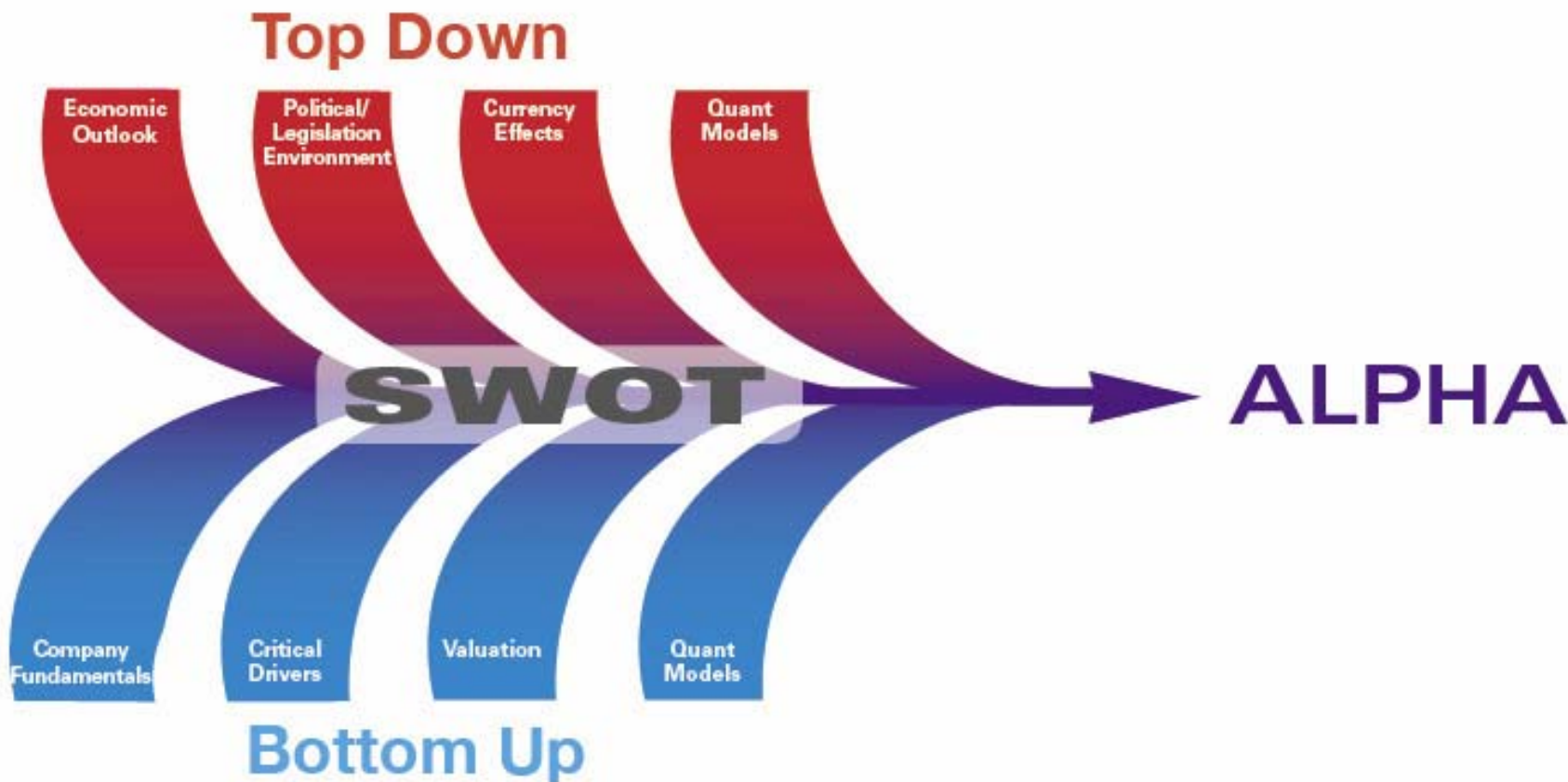


Frank E. Holmes
Chief Investment Officer
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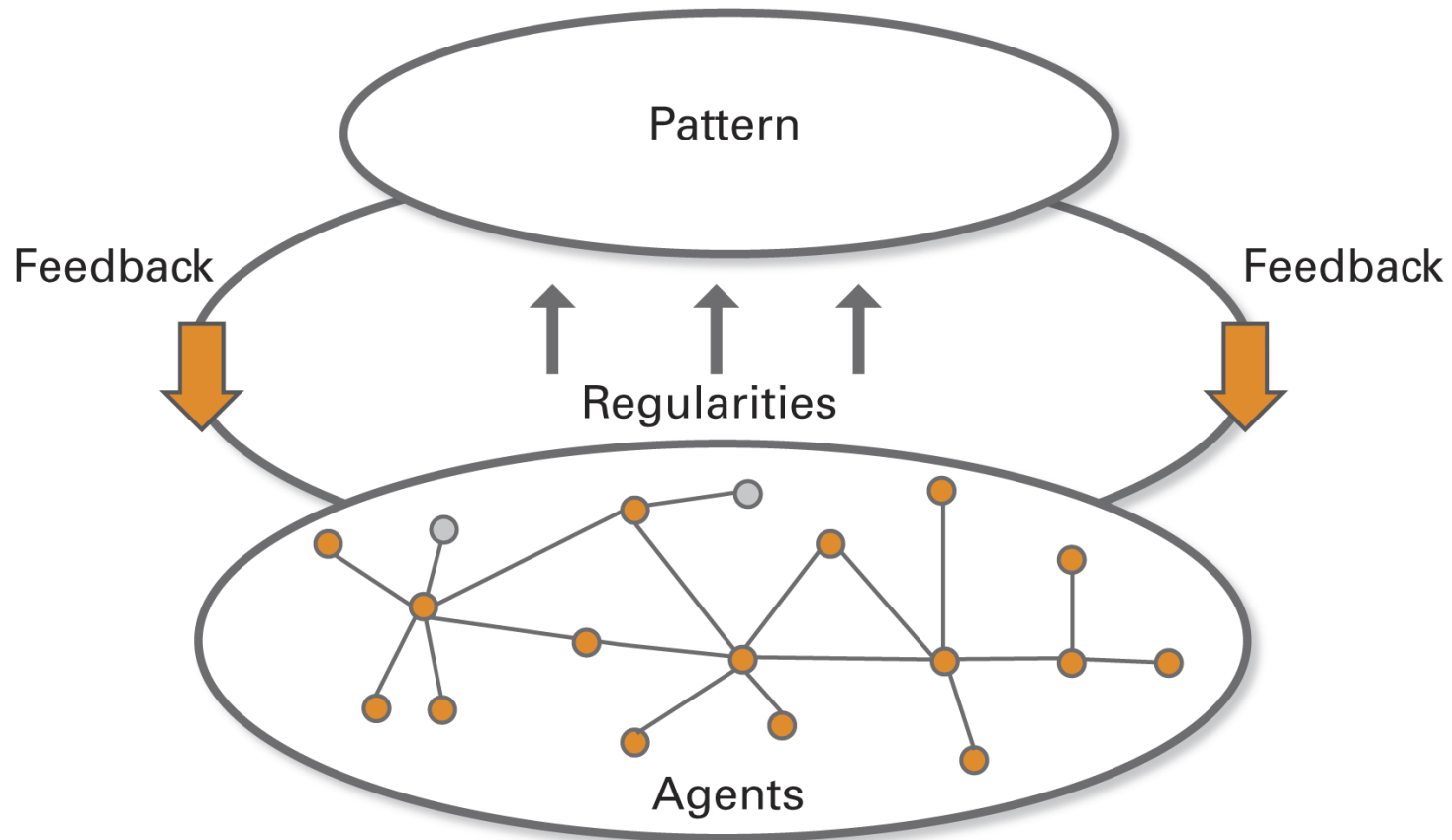
Multidisciplinary Focus



According to Morningstar, 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. A positive alpha indicates the fund has performed better than its beta would predict. In contrast, a negative alpha indicates the fund's underperformance, given the expectations established by the fund's beta. All MPT statistics (alpha, beta, and R-squared) are based on a least-squared regression of the fund's return over Treasury bills (called excess return) and the excess returns of the fund's benchmark index.



Complex Adaptive Systems



Source: Trojan Mice



Time Management



Top Down

Monday

We focus on macroeconomic factors and their inter-market relationships.

Bottom Up

Tuesday through Friday

We focus on finding the best stocks to own, based on critical drivers.

Organize

Data

Rate of change over 5/20/60 days



Cycles – Principles of Continuous Revolution



Every cycle – irrespective of degree or significance – contains its own unique rhythm.

From daily tides to the solar system, life is governed by the cyclical principle.



Cycles – Where are we on the...



Kuznet Cycle – 20-year Emerging Market Cycle That Drives Commodity Demand.



Presidential Election Cycle – 4-Year Cycle



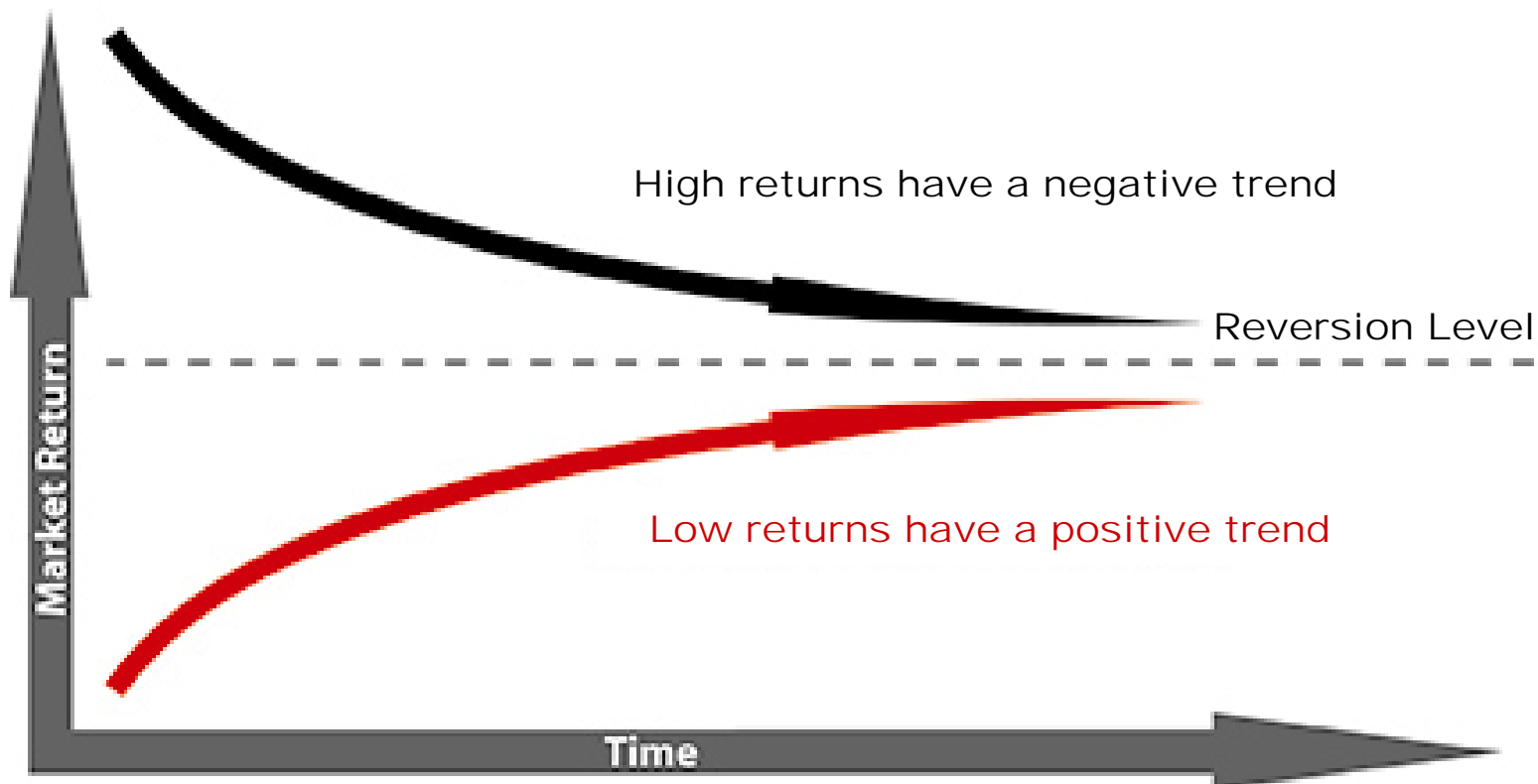
Seasonal Cycle – Commodity and Stock Market Patterns



Mean Reversion

Investments can have wide price swings during any given year. But, over time, they usually revert to their long-term averages. This principle is called “mean reversion.”

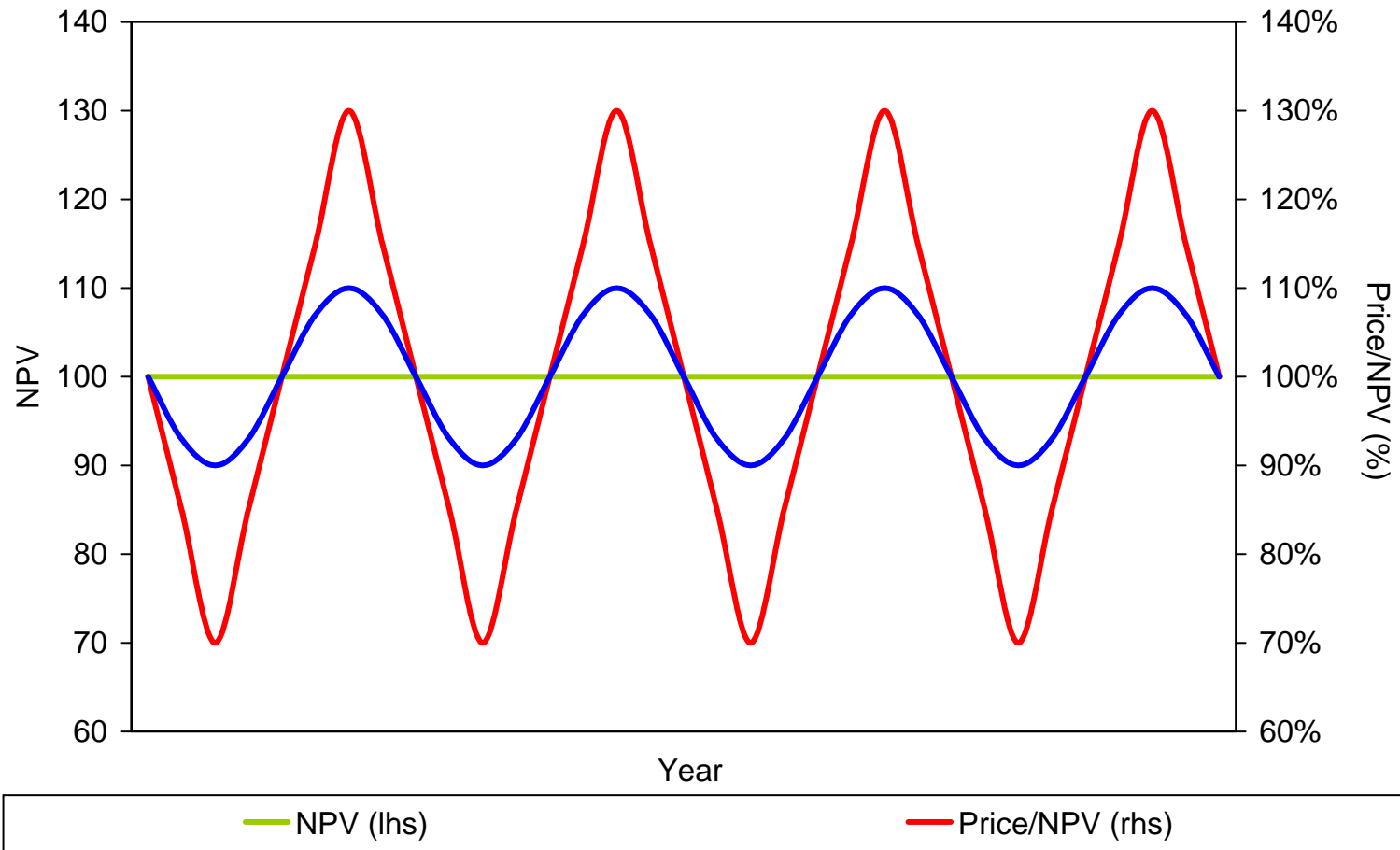
The Concept of Mean Reversion





Market Exuberance...

Through the Cycle Discounts and Premium to NPV

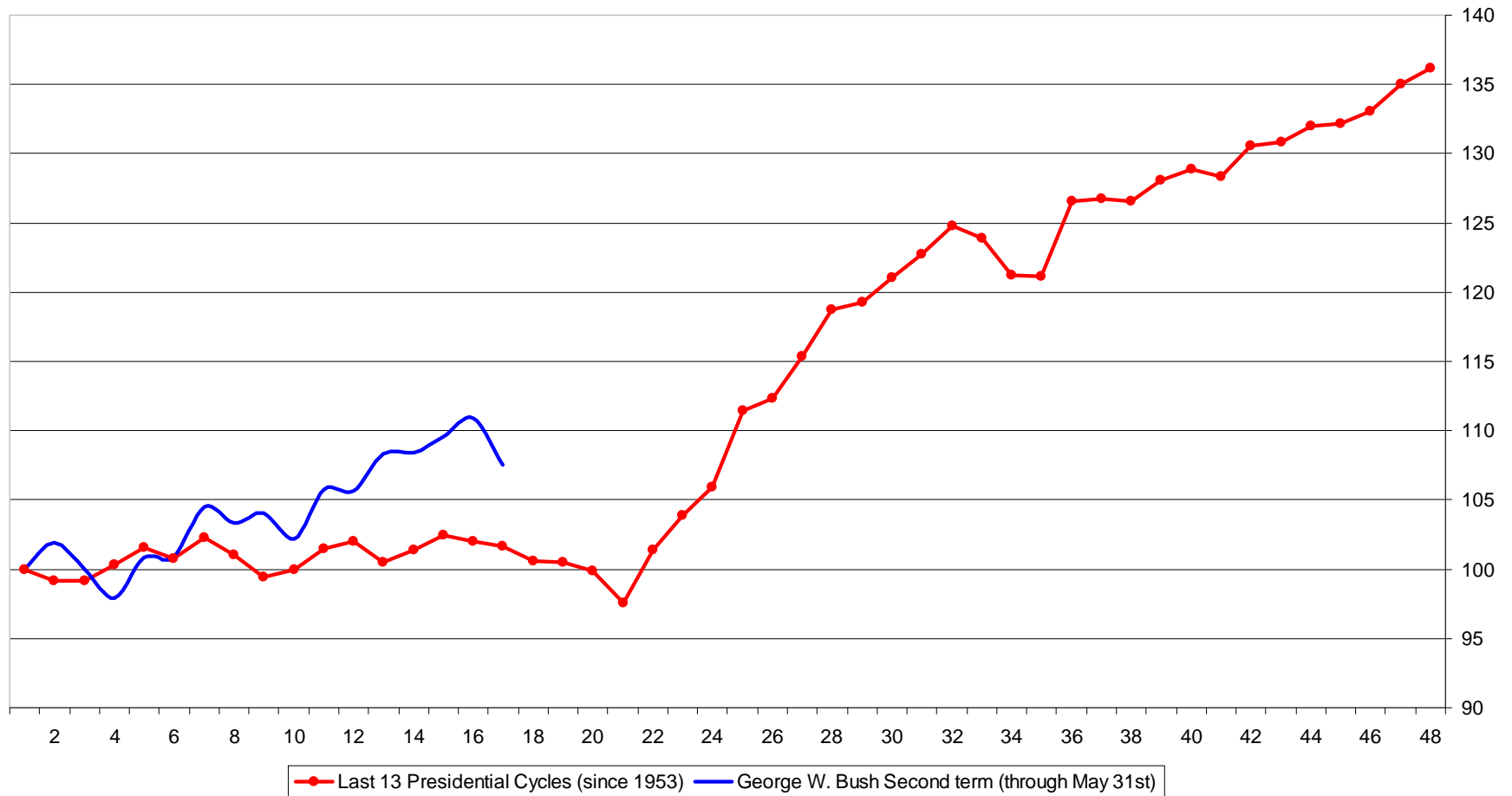


Source: Deutsche Securities estimates

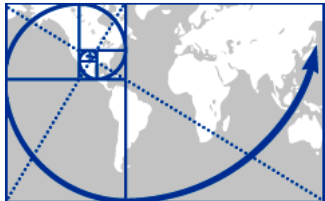


Presidential Cycle

Presidential Cycle on Cycle comparison
S&P 500 Monthly Closing Price, Through = 100

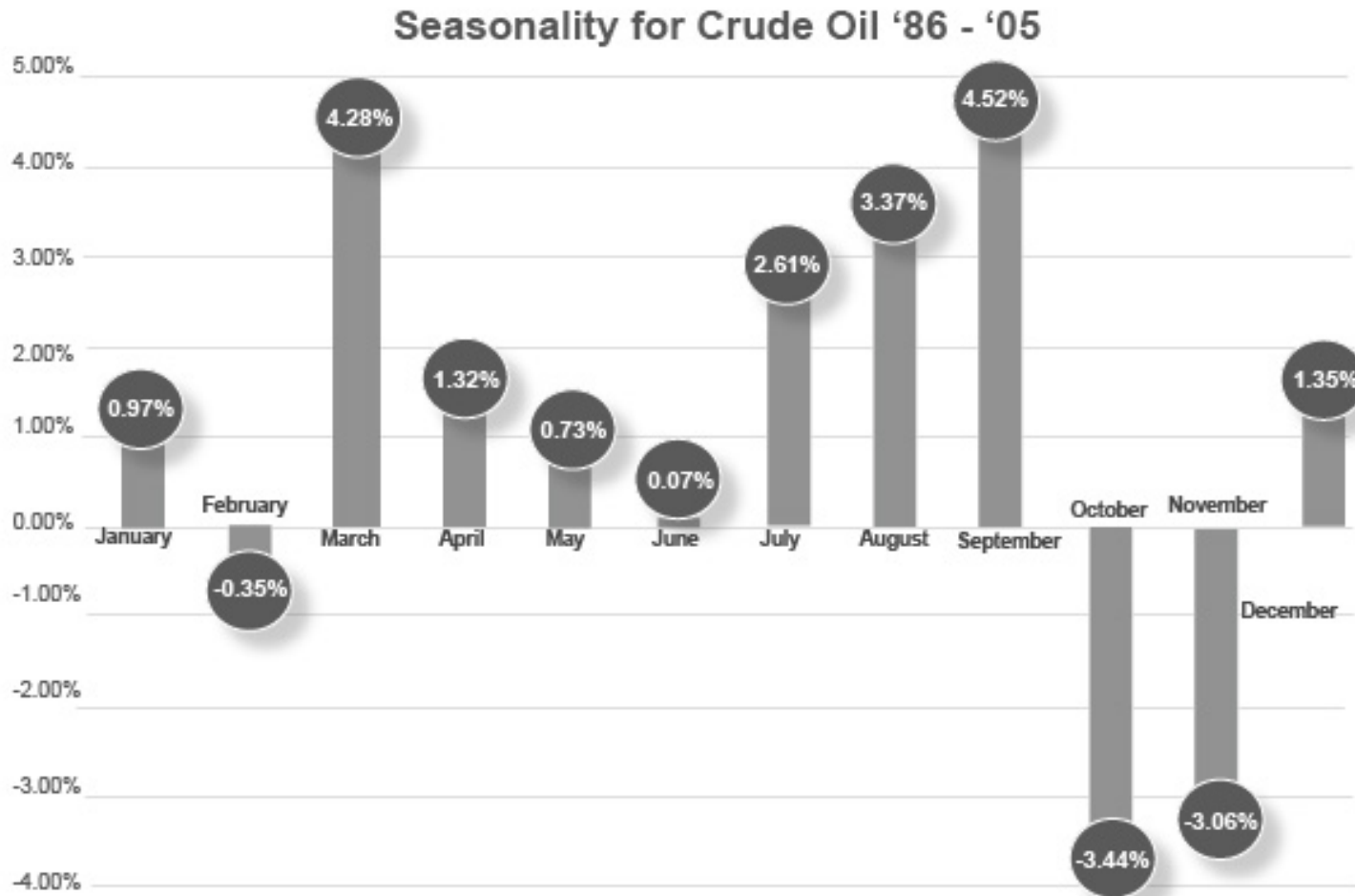


Source: Bloomberg



U.S. Global Investors

Annual Cyclical Pattern - Oil

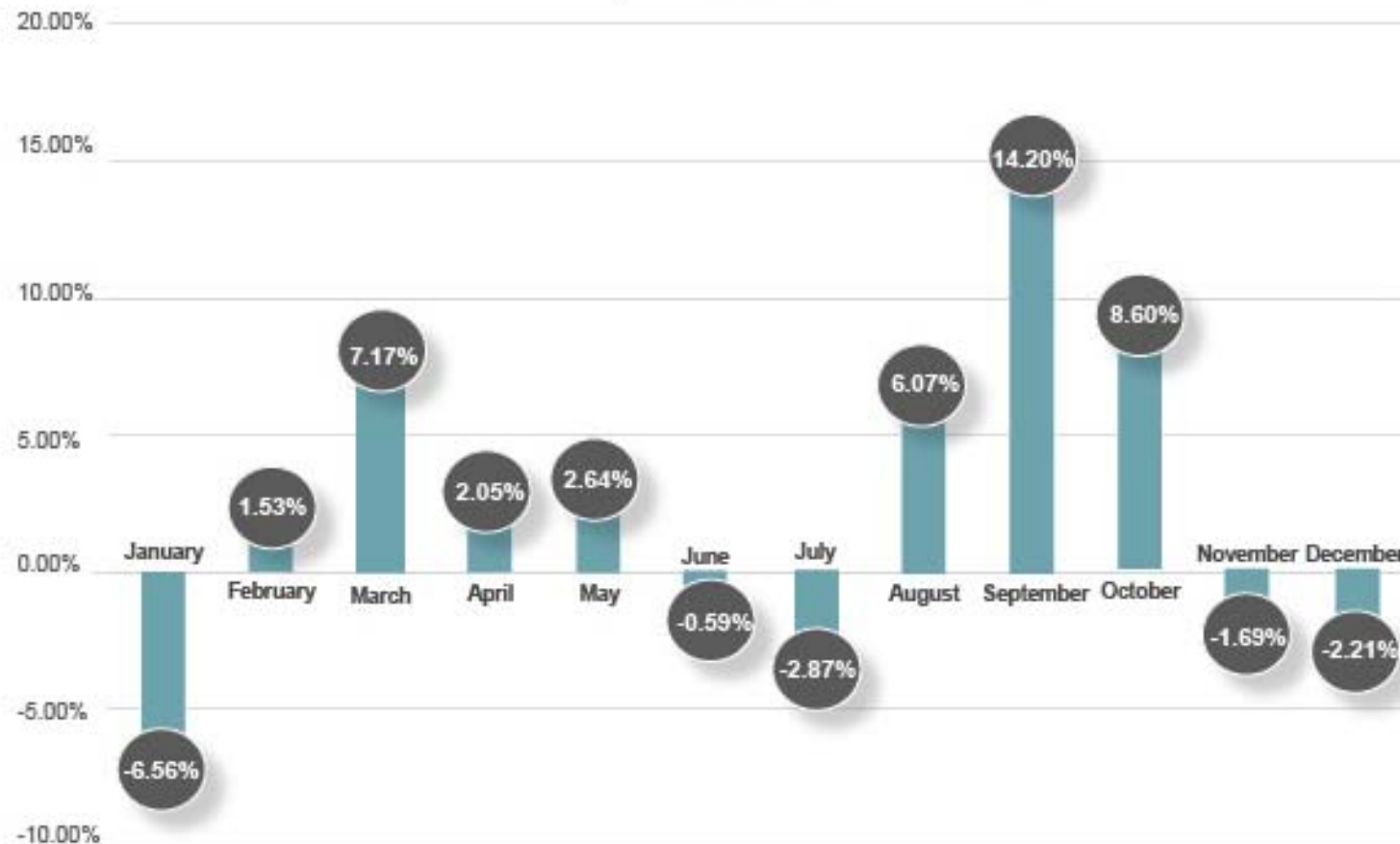


Source: U.S. Global Research

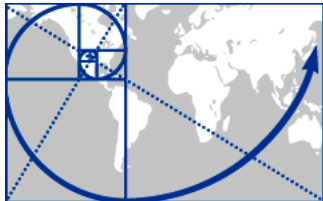


Annual Cyclical Pattern – Natural Gas

Seasonality for Natural Gas '86 - '05



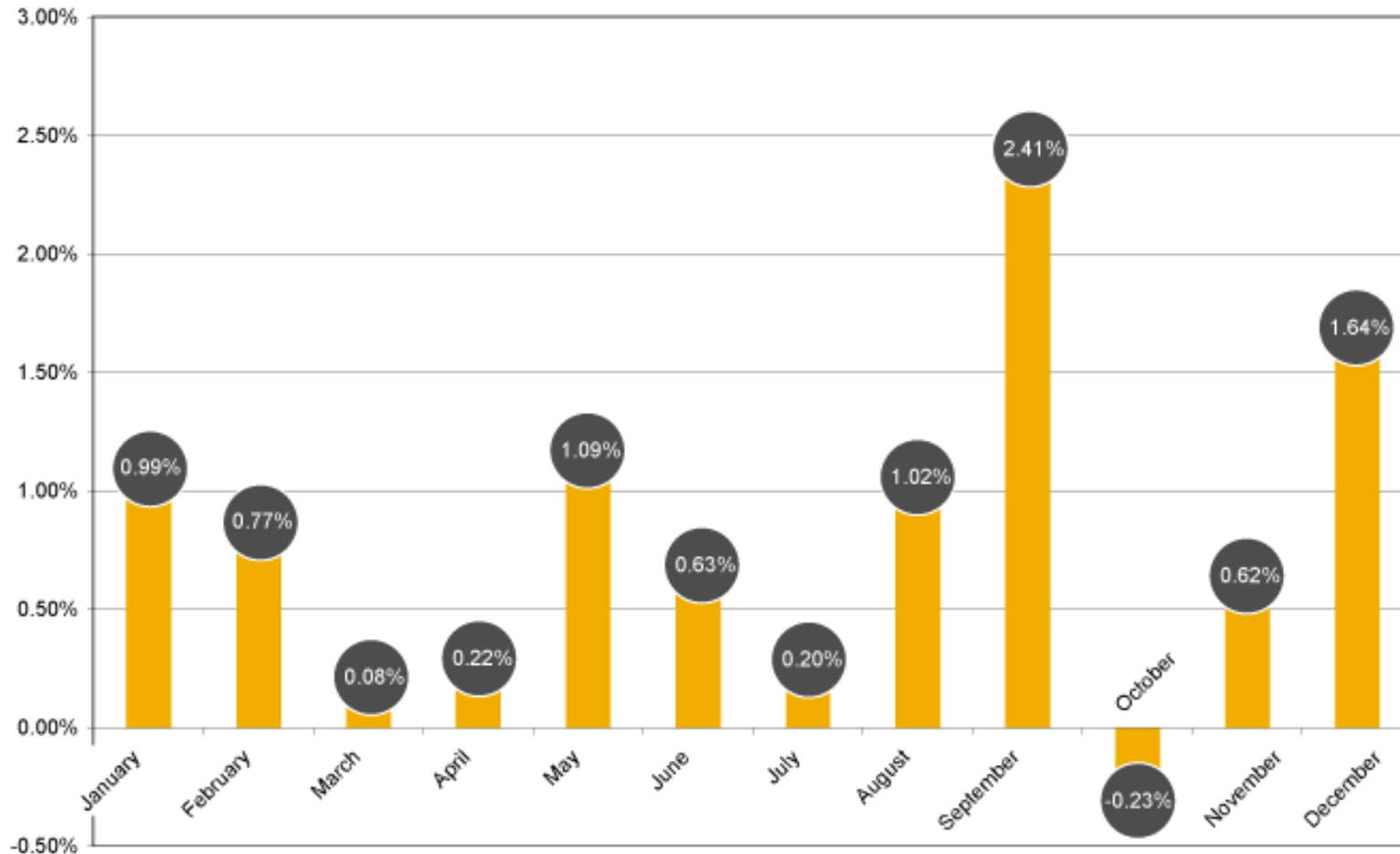
Source: U.S. Global Research



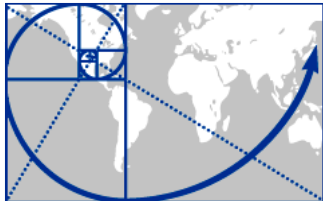
U.S. Global Investors

Annual Cyclical Pattern – Gold

Gold monthly moves 1971-2005



Source: U.S. Global Research



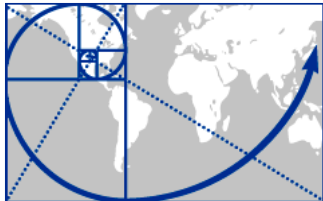
U.S. Global Investors

Annual Cyclical Pattern – Platinum

Seasonality for Platinum '86 - '05



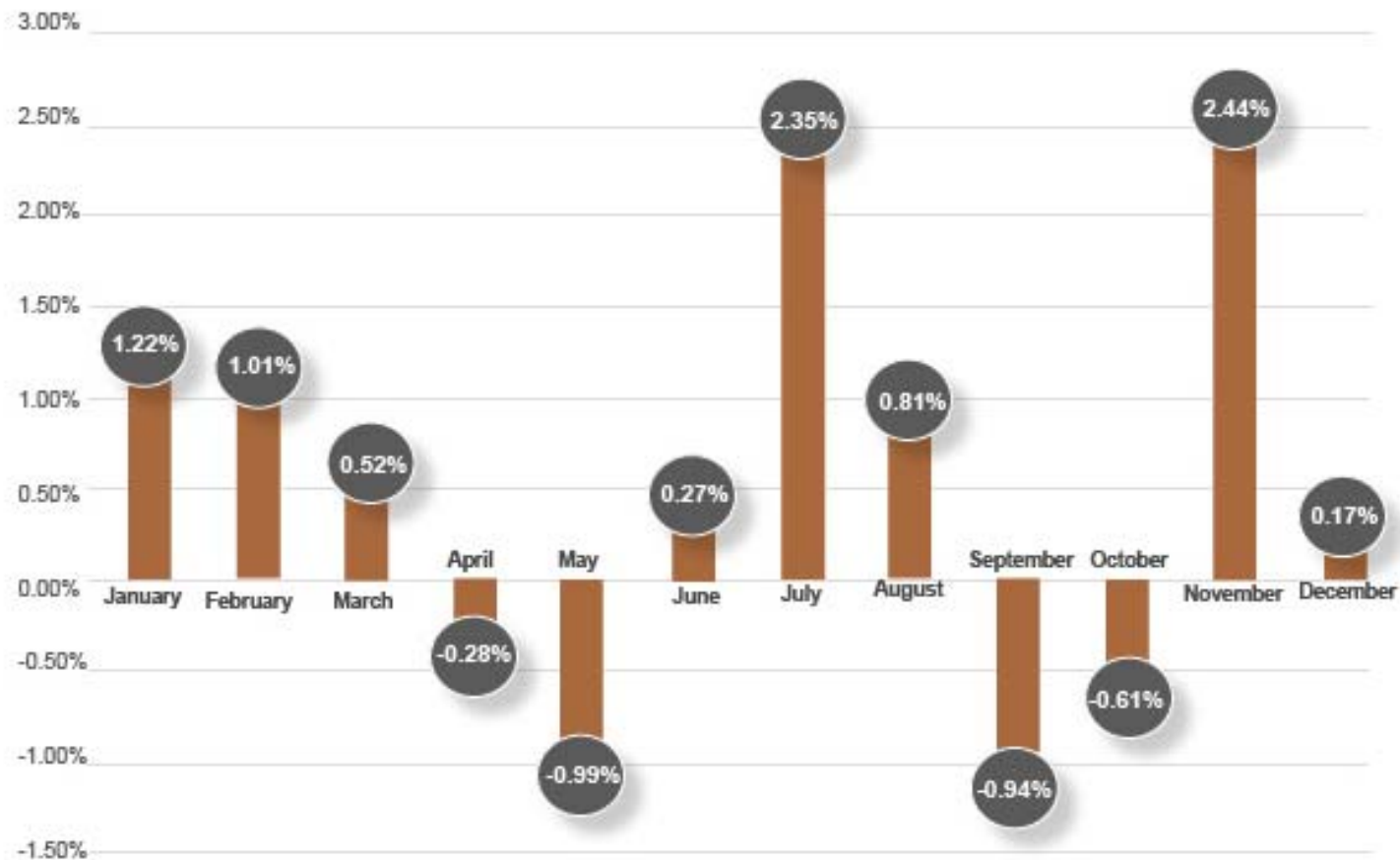
Source: U.S. Global Research



U.S. Global Investors

Annual Cyclical Pattern - Copper

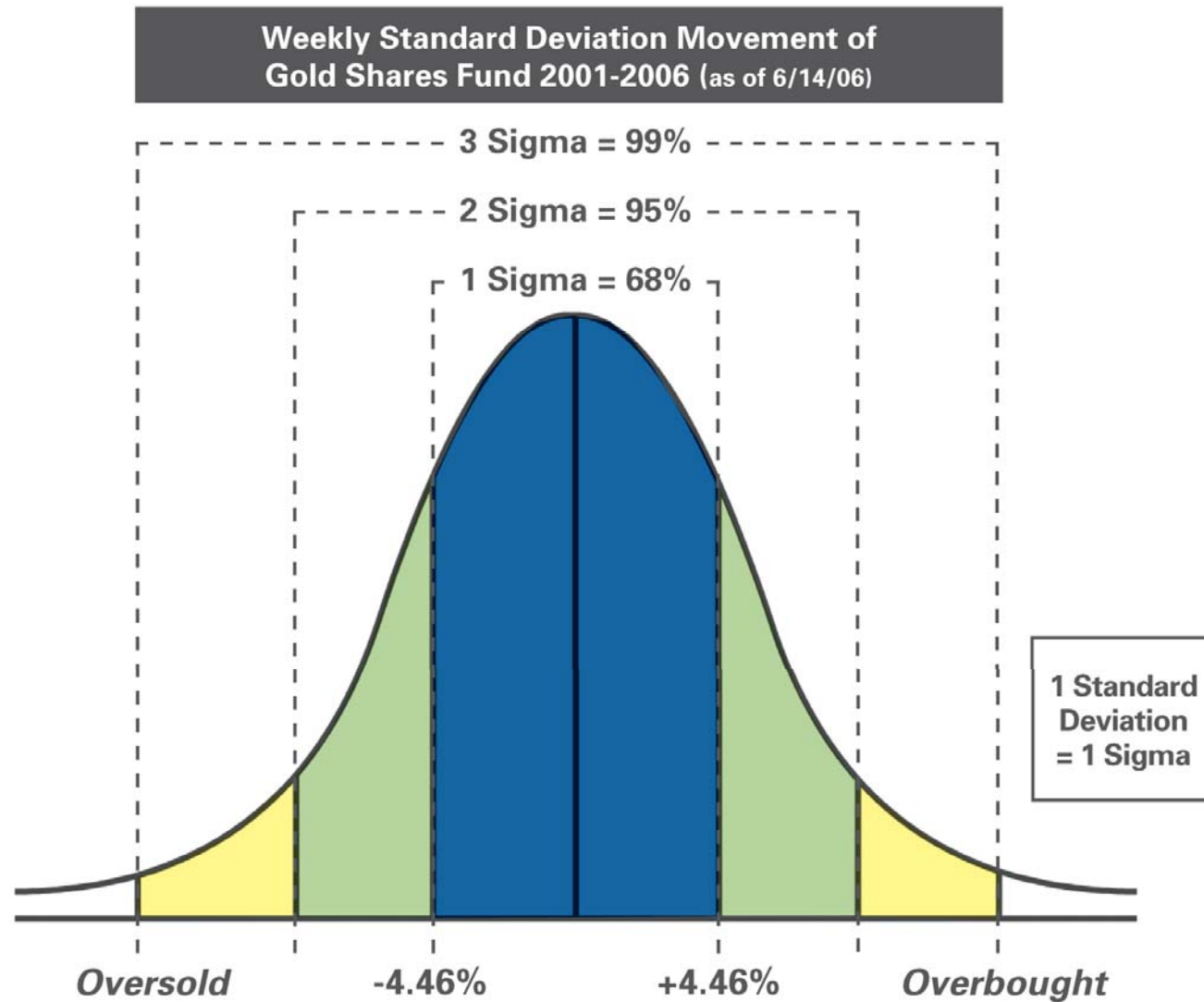
Seasonality for Copper '86 - '05



Source: U.S. Global Research



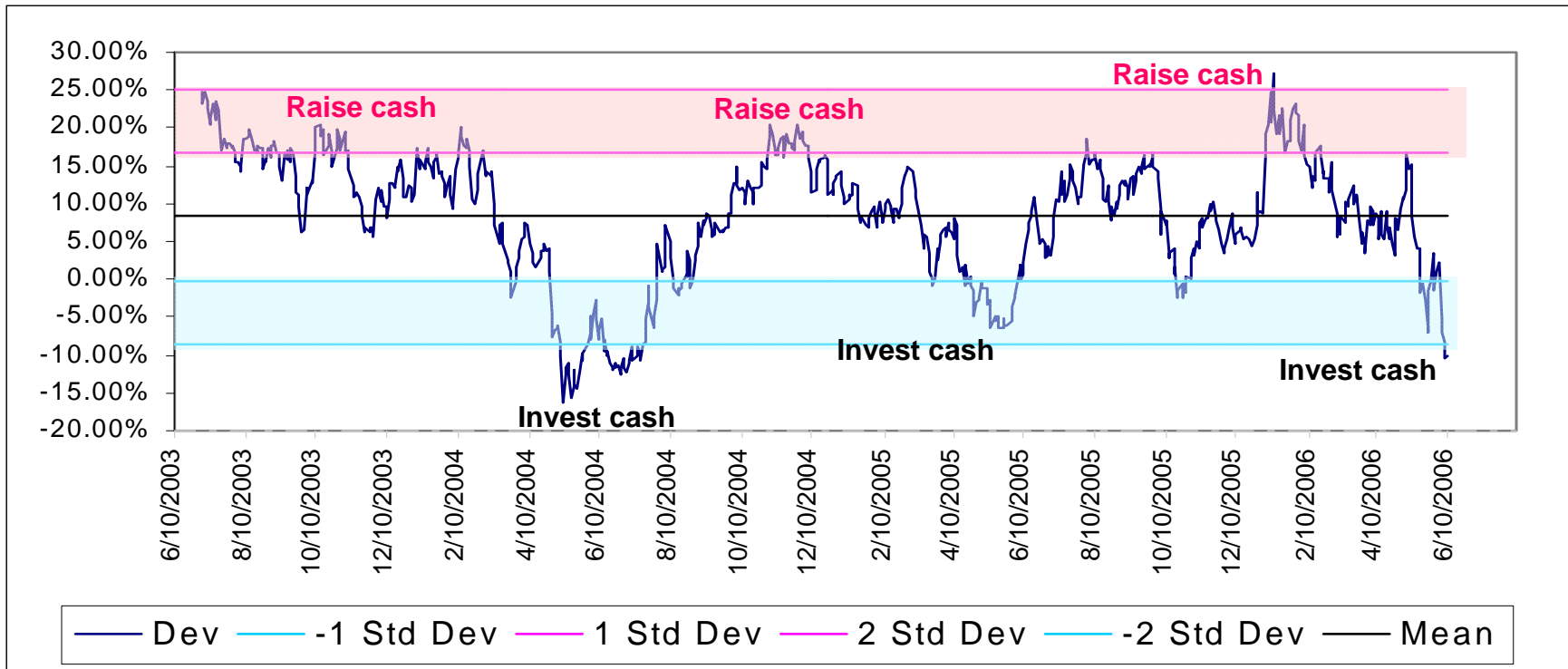
Standard Deviation (sigma)





MSCI Emerging Markets Index

iShares MSCI Emerging Markets Index 3-Year sigma as of 6/14/06



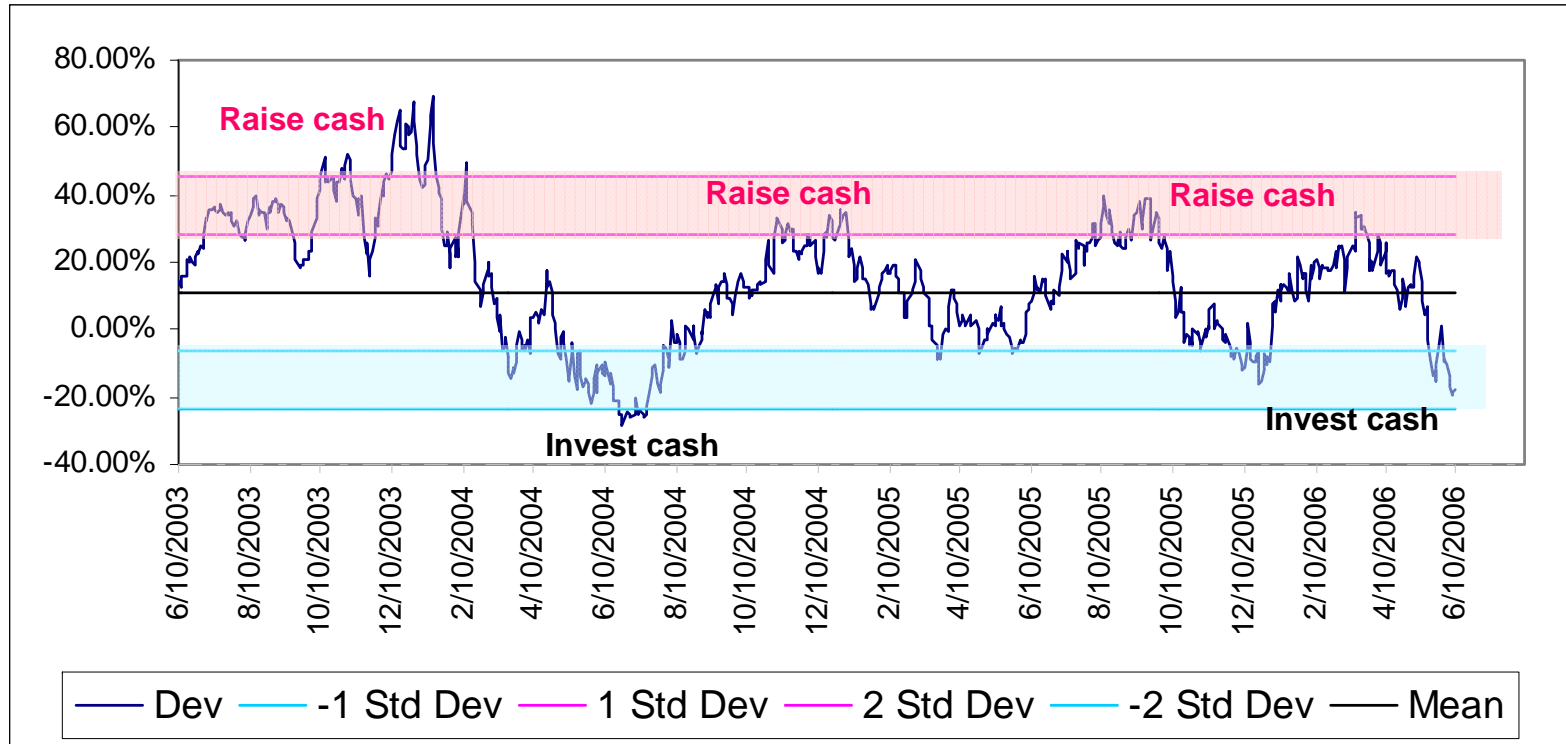
Probability Graph:	# of occurrences	% of occurrences
+ 2 Std. Dev	1	0.13%
+1 Std. Dev	117	15.25%
-1 Std. Dev	85	11.08%
-2 Std. Dev	42	5.48%
Current:	-2.21 std dev	

Source: Bloomberg



Morgan Stanley India Investment

Morgan Stanley India Investment Fund 3-Year sigma as of 6/14/06



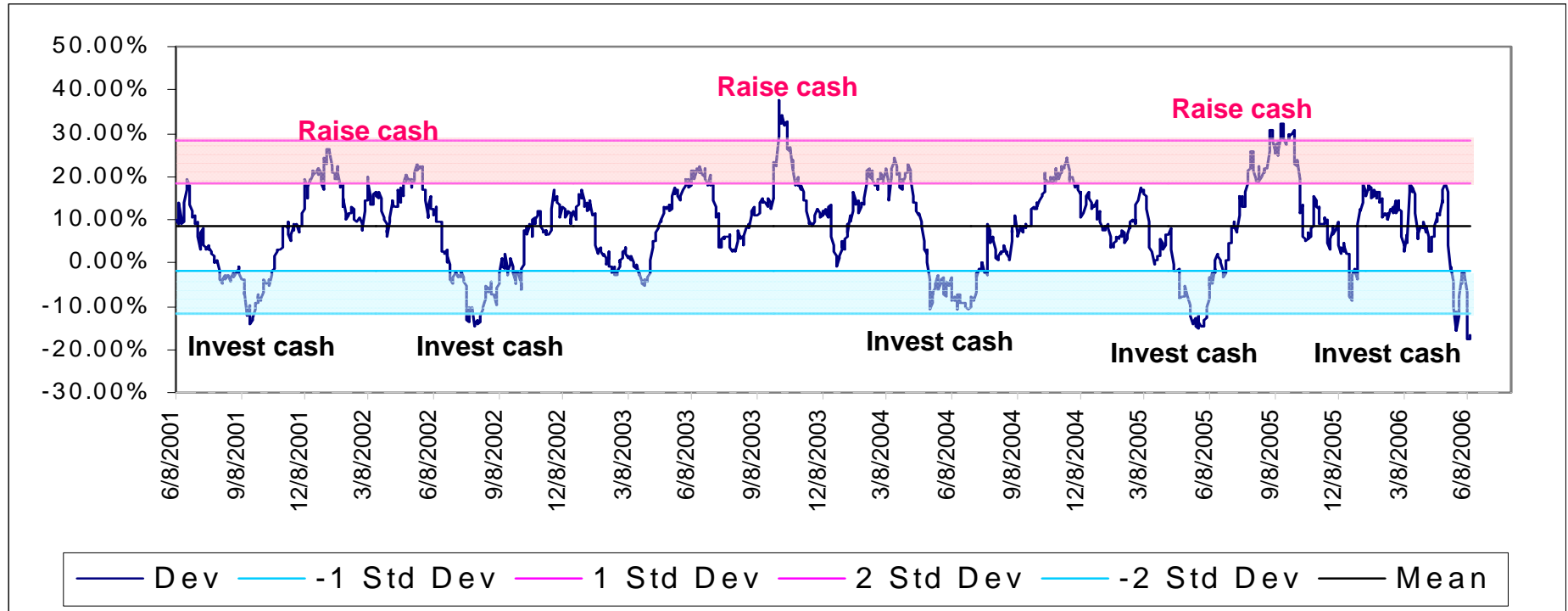
Probability Graph:	# of occurrences	% of occurrences
+ 2 Std. Dev	30	2.55%
+1 Std. Dev	162	13.76%
-1 Std. Dev	192	16.31%
-2 Std. Dev	14	1.19%
Current:	-1.66 std dev	

Source: Bloomberg



Eastern European Fund (EUROX)

Eastern European Fund 5-Year sigma as of 6/14/06



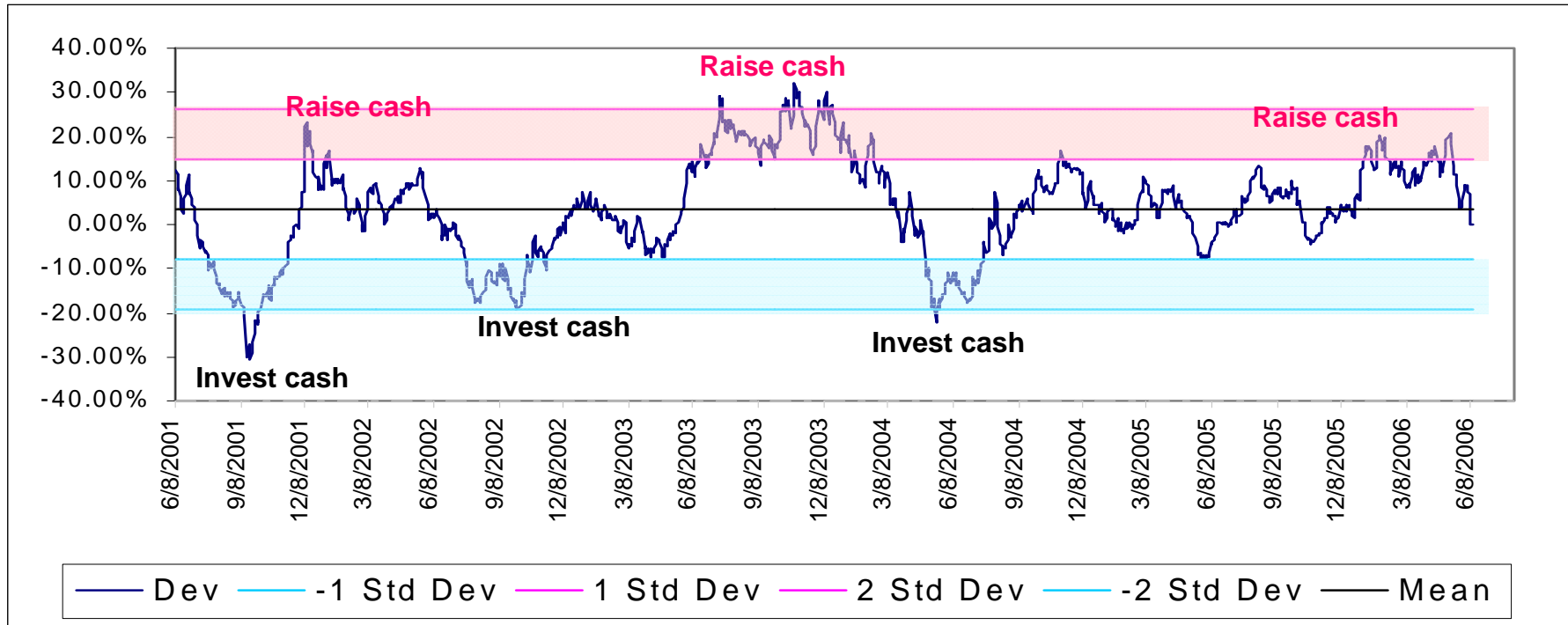
Probability Graph:	# of occurrences	% of occurrences
+ 2 Std. Dev	24	1.84%
+1 Std. Dev	198	15.15%
-1 Std. Dev	210	16.07%
-2 Std. Dev	38	2.91%
Current:	-2.48 std dev	

Source: Bloomberg



China Region Opportunity Fund (USCOX)

China Region Opportunity Fund 5-Year sigma as of 6/14/06



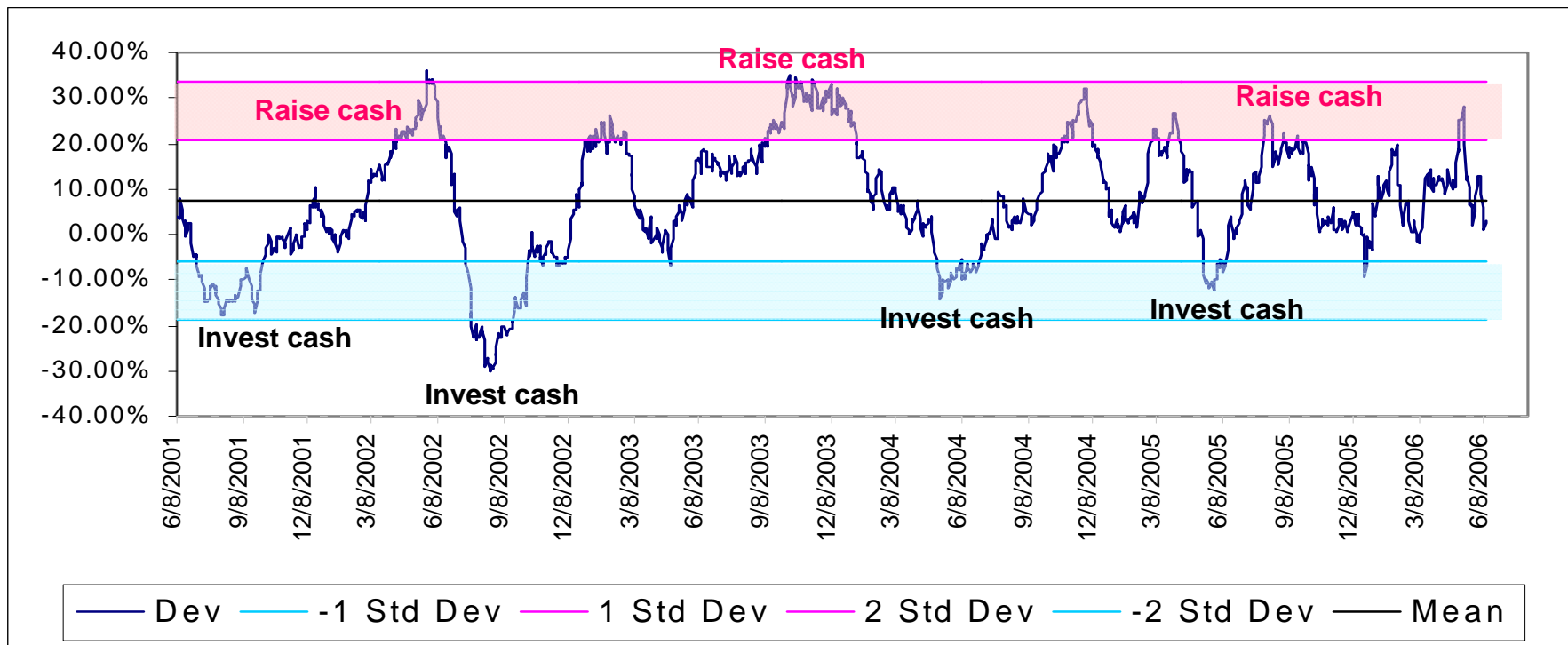
Probability Graph:	# of occurrences	% of occurrences
+ 2 Std. Dev	26	1.99%
+1 Std. Dev	180	13.77%
-1 Std. Dev	189	14.46%
-2 Std. Dev	22	1.68%
Current:	-0.31 std dev	

Source: Bloomberg



Global Resources Fund (PSPFX)

Global Resources Fund 5-Year sigma as of 6/14/06



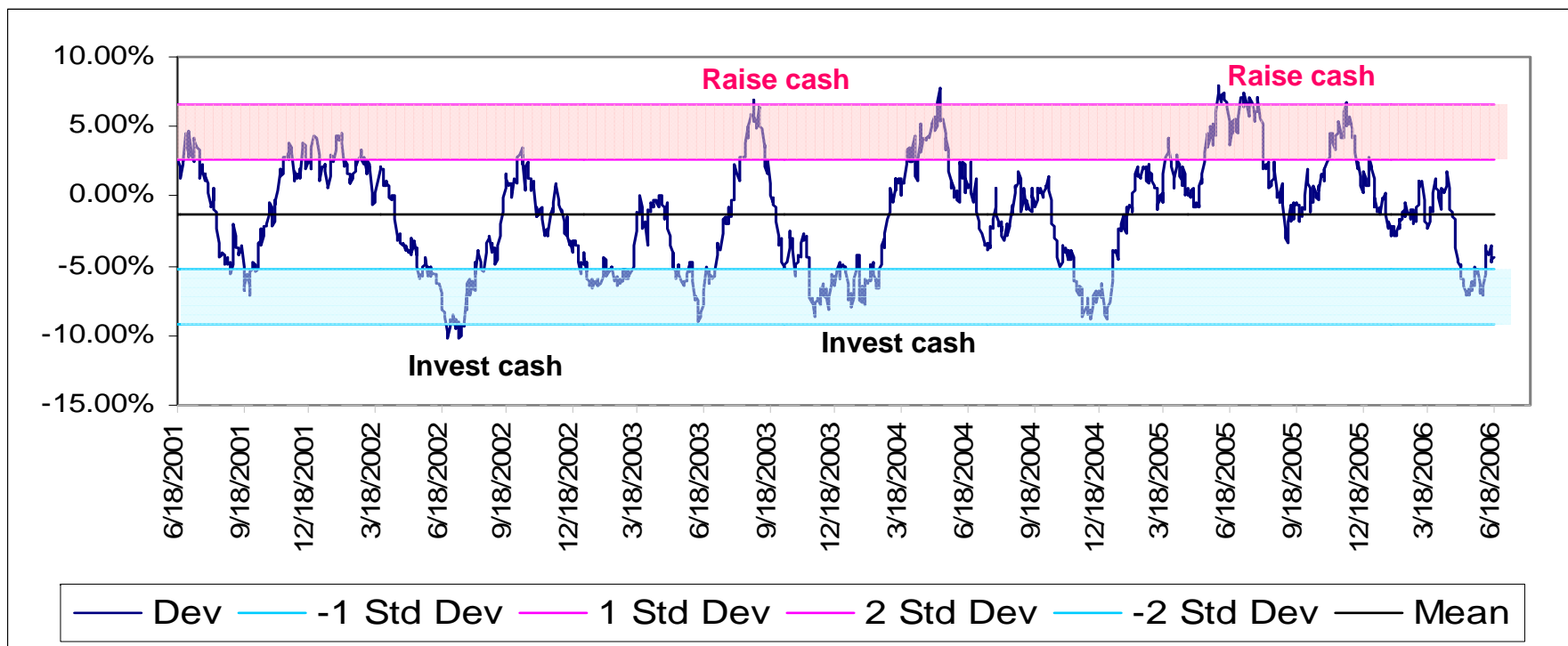
Probability Graph:	# of occurrences	% of occurrences
+ 2 Std. Dev	9	0.69%
+1 Std. Dev	222	16.99%
-1 Std. Dev	168	12.85%
-2 Std. Dev	41	3.14%
Current:	-0.34 std dev	

Source: Bloomberg



Trade Weighted Dollar Index (DXY)

Trade Weighted Dollar Index 5-Year sigma as of 6/14/06



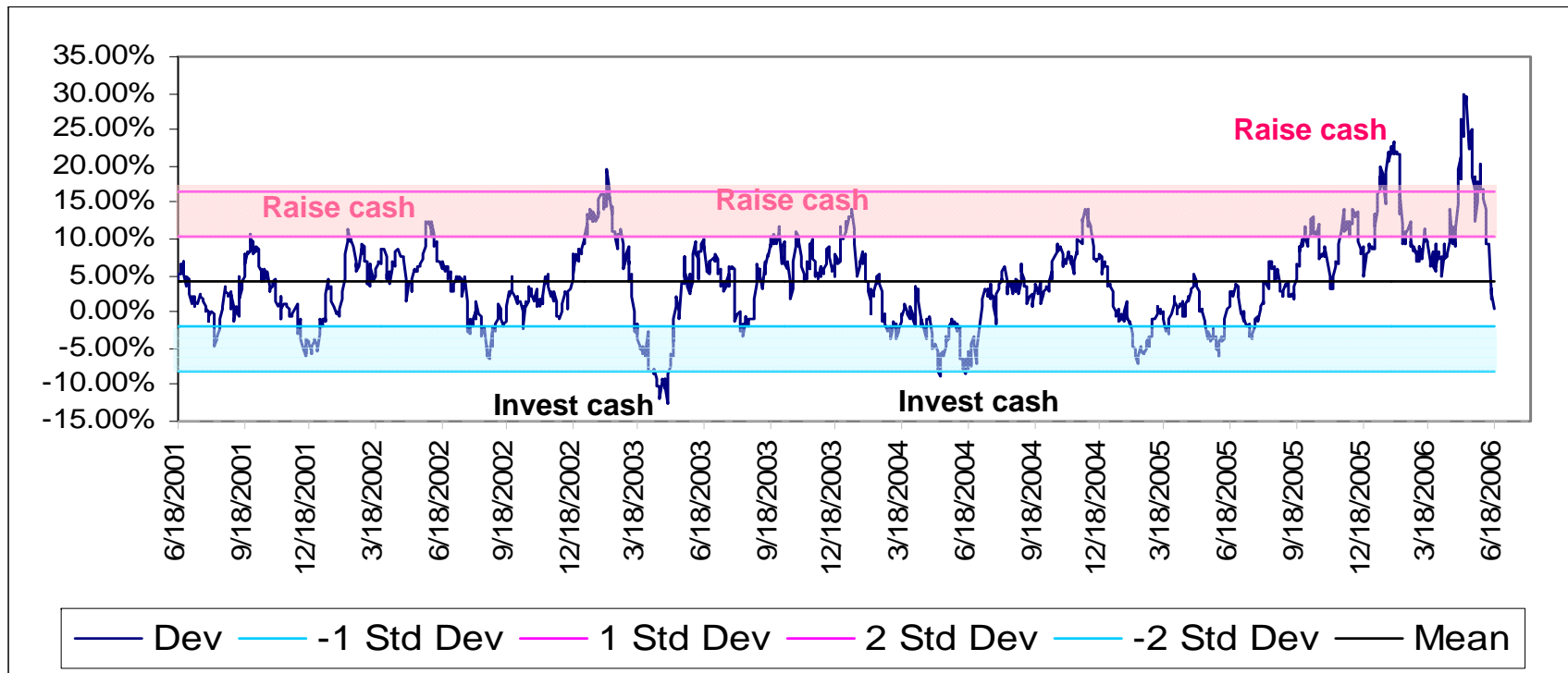
Probability Graph:	# of occurrences	% of occurrences
+ 2 Std. Dev	28	2.14%
+1 Std. Dev	182	13.93%
-1 Std. Dev	257	19.66%
-2 Std. Dev	12	0.92%
Current:	-1.14 std dev	

Source: Bloomberg



Gold

Spot Gold \$/OZ 5-Year sigma as of 6/20/06



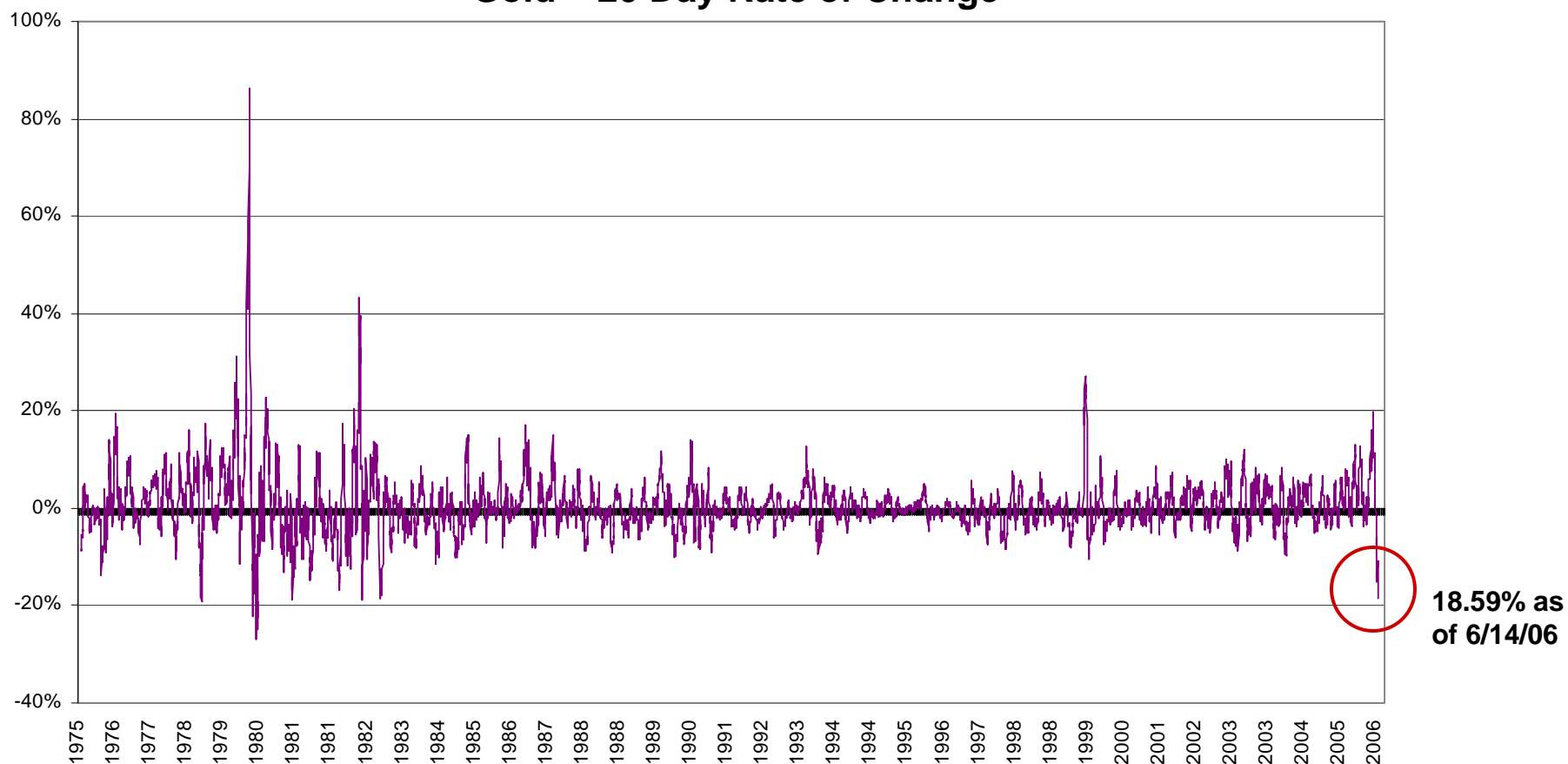
Probability Graph:	# of occurrences	% of occurrences
+ 2 Std. Dev	32	2.45%
+1 Std. Dev	132	10.10%
-1 Std. Dev	171	13.08%
-2 Std. Dev	18	1.38%
Current:	0.06 std dev	

Source: Bloomberg



Gold Rate of Change

Gold – 20 Day Rate of Change

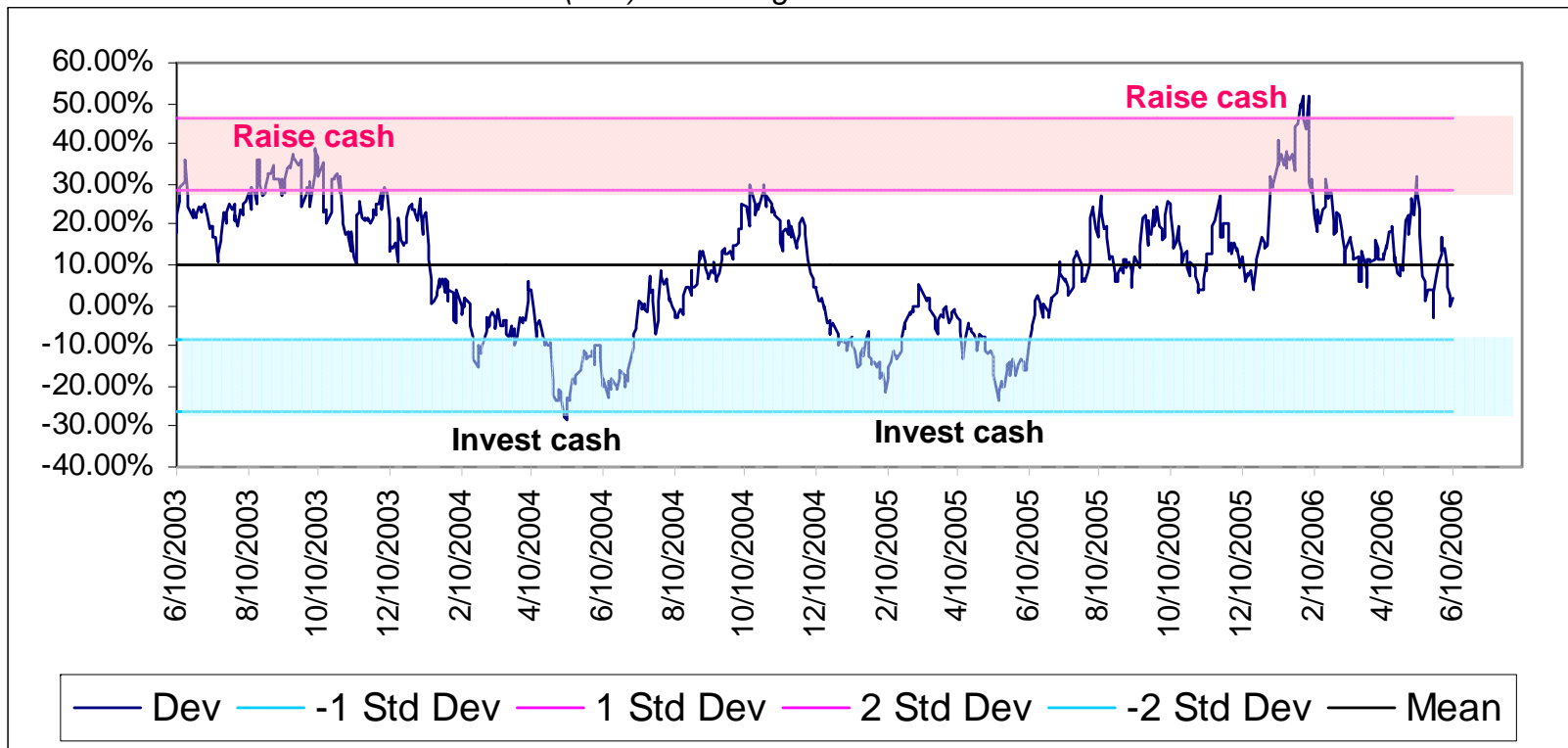


The gold market's monthly decline is extreme when compared over 30 years to date. This has happened 16 times over the past 30 years. The last time was over 20 years ago. (1981-1983)



Amex Gold Bugs Index (HUI)

Amex Gold BUGS Index (HUI) 3-Year sigma as of 6/14/06



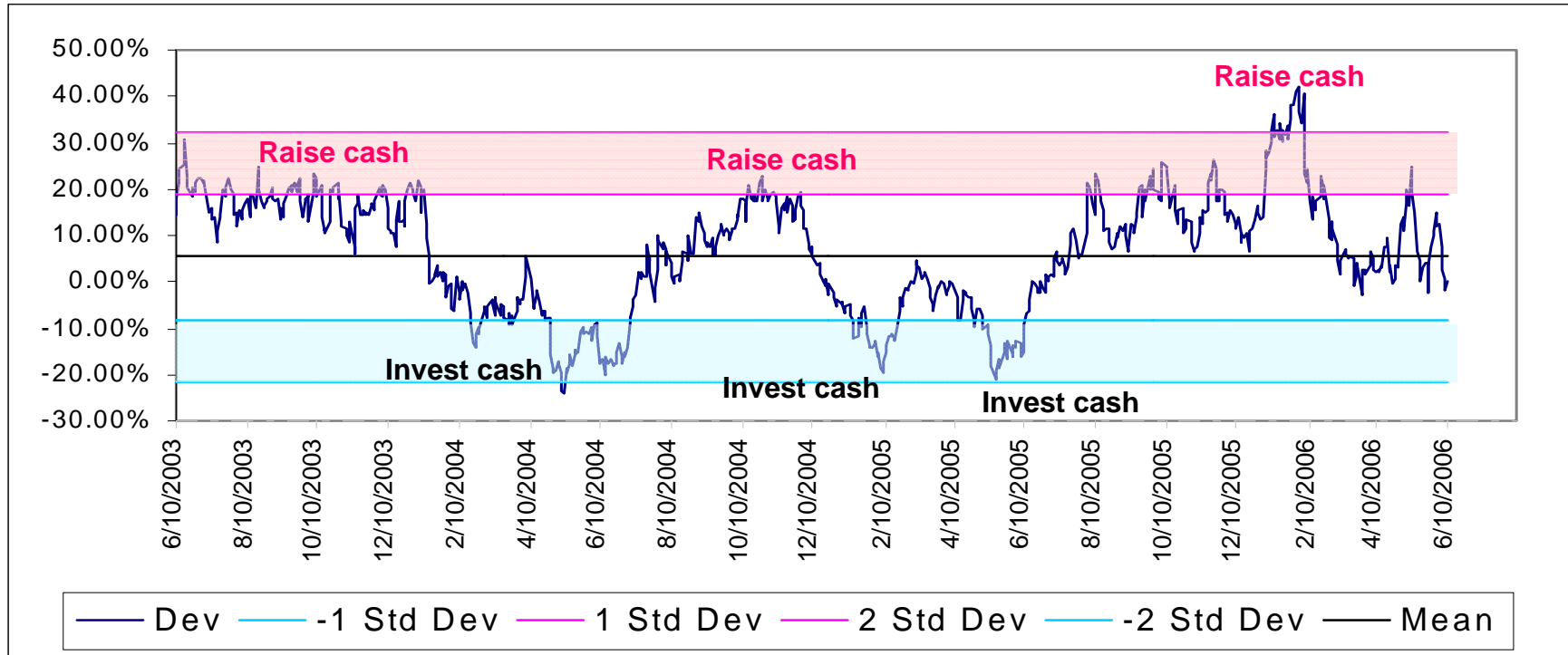
Probability Graph:	# of occurrences	% of occurrences
+ 2 Std. Dev	17	1.44%
+1 Std. Dev	171	14.53%
-1 Std. Dev	215	18.27%
-2 Std. Dev	2	0.17%
Current:	-0.44 std dev	

Source: Bloomberg



Philadelphia Gold & Silver Index (XAU)

Philadelphia Gold & Silver Index (XAU) 3-Year sigma as of 6/14/06



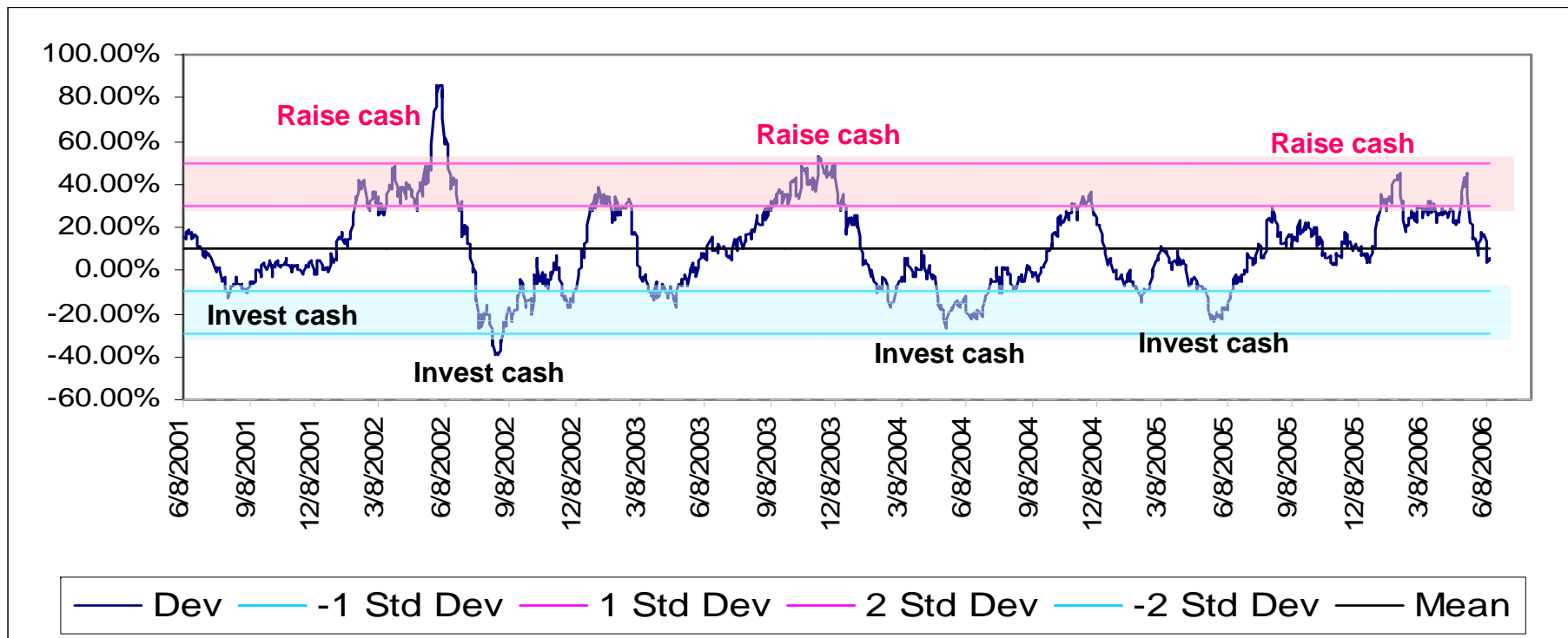
Probability Graph:	# of occurrences	% of occurrences
+ 2 Std. Dev	29	2.22%
+1 Std. Dev	187	14.31%
-1 Std. Dev	204	15.61%
-2 Std. Dev	23	1.76%
Current:	-0.38 std dev	

Source: Bloomberg



World Precious Minerals Fund (UNWPX)

World Precious Minerals Fund 5-Year sigma as of 6/14/06



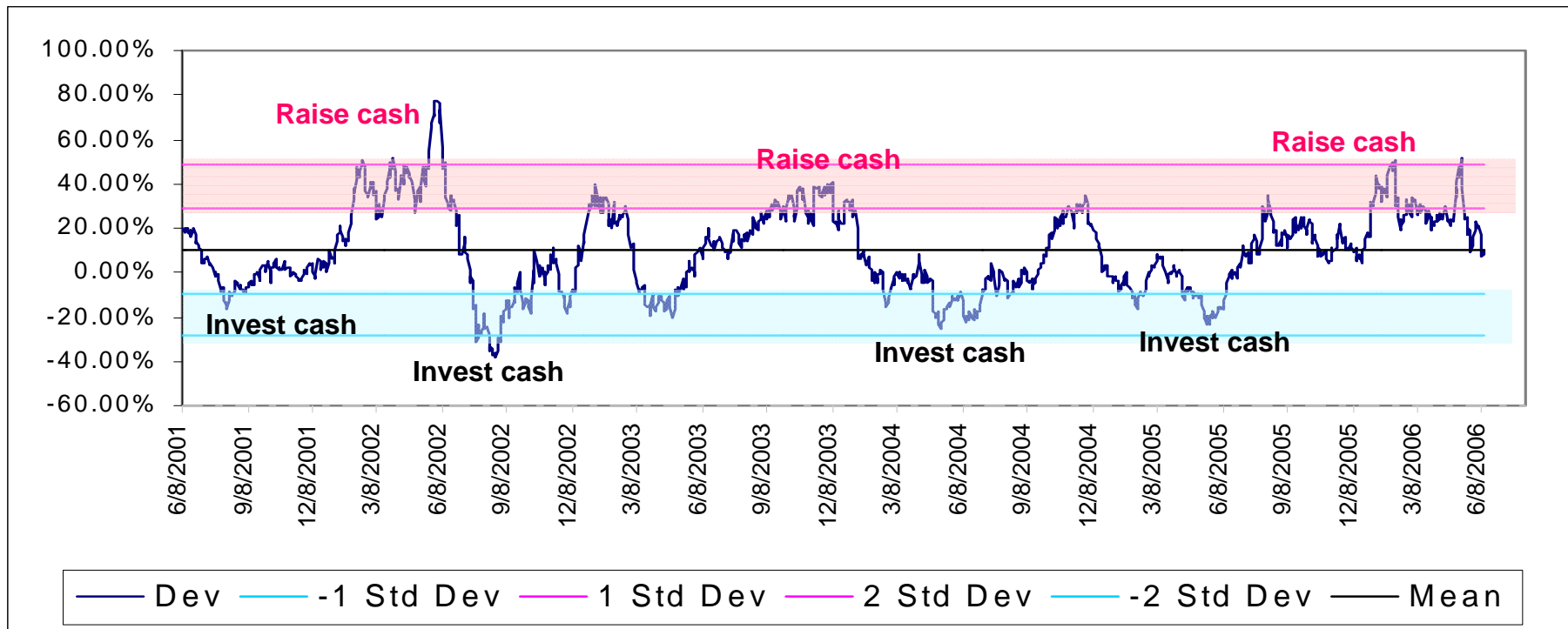
Probability Graph:	# of occurrences	% of occurrences
+ 2 Std. Dev	10	0.77%
+1 Std. Dev	219	16.76%
-1 Std. Dev	176	13.47%
-2 Std. Dev	11	0.84%
Current:	-0.23 std dev	

Source: Bloomberg



Gold Shares Fund (USERX)

Gold Shares Fund 5-Year sigma as of 6/14/06

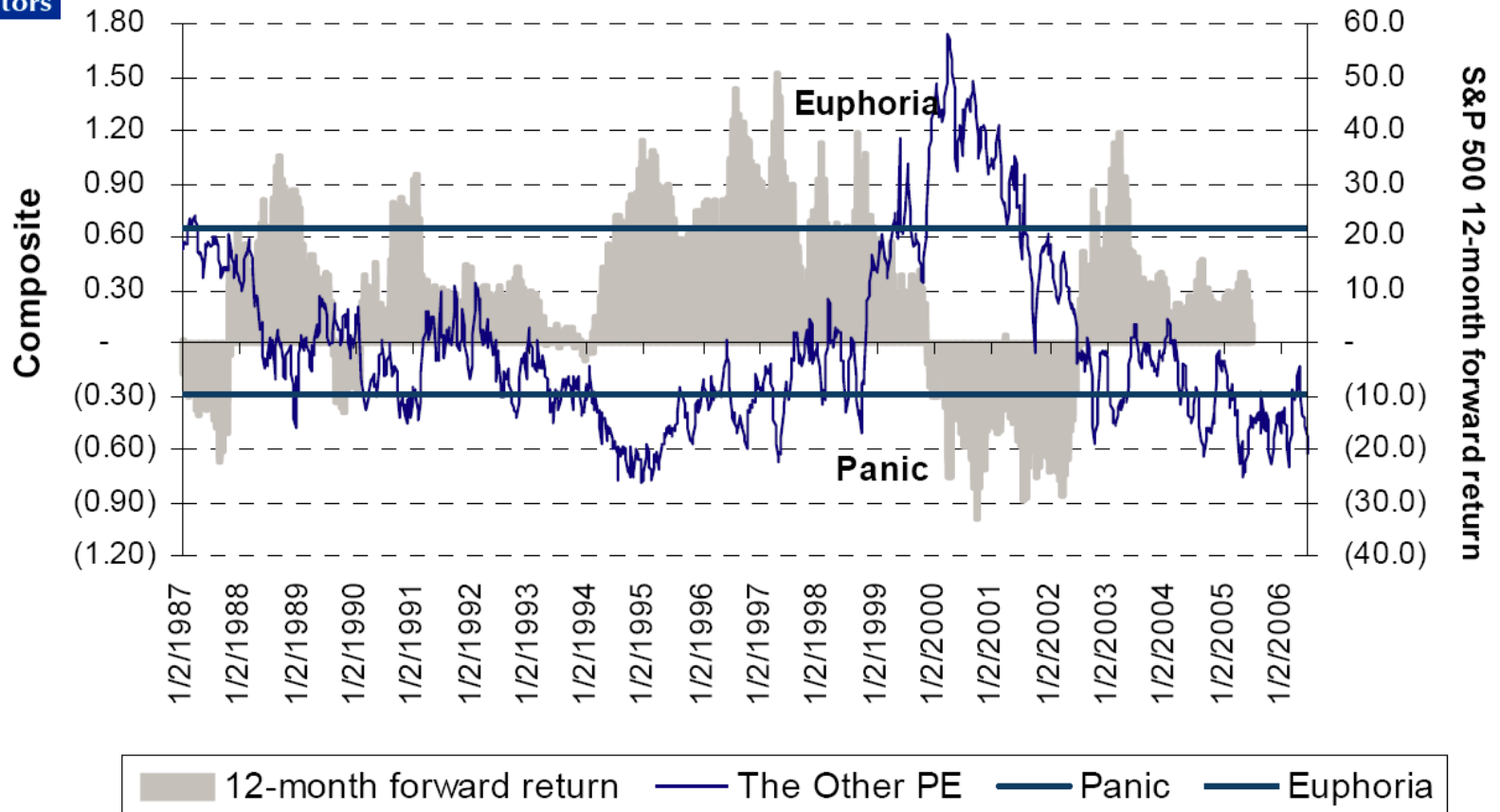


Probability Graph:	# of occurrences	% of occurrences
+ 2 Std. Dev	14	1.07%
+1 Std. Dev	199	15.23%
-1 Std. Dev	202	15.46%
-2 Std. Dev	14	1.07%
Current:	-0.01 std dev	

Source: Bloomberg



Sentiment (Panic/Euphoria ModelSM)



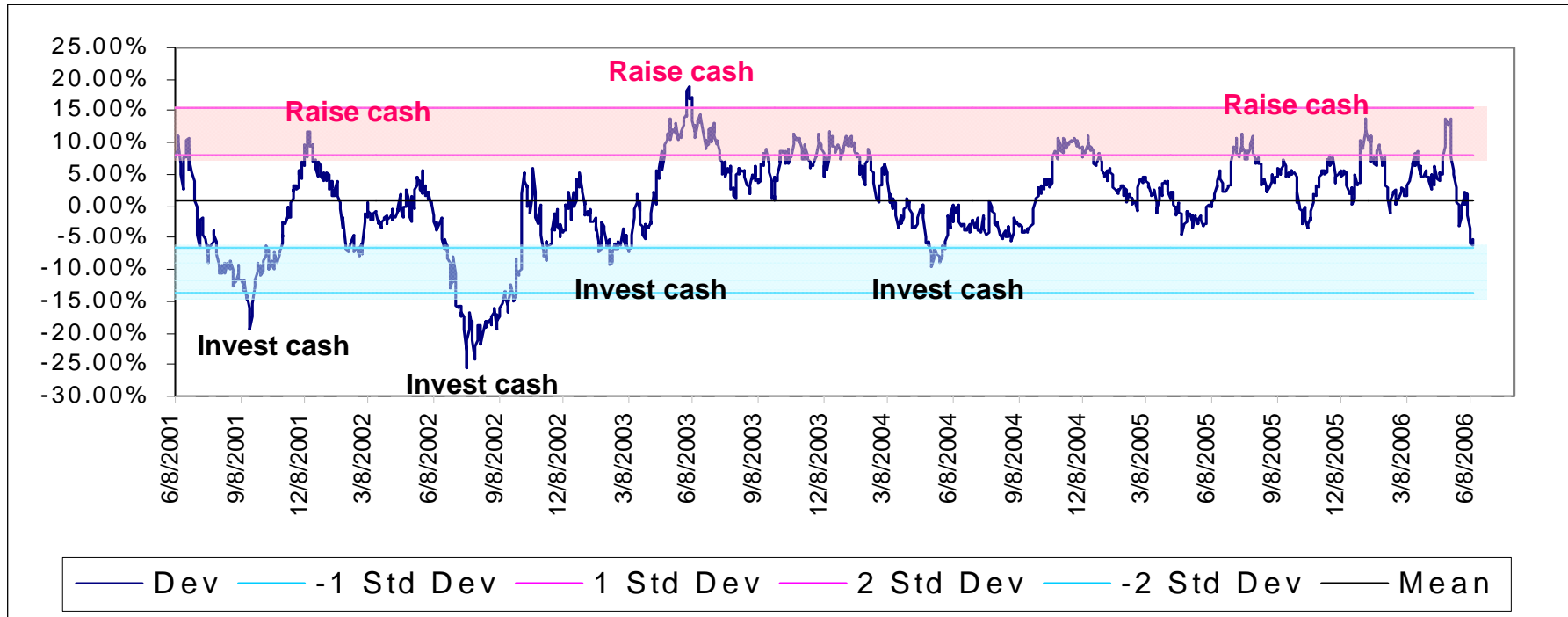
- The Panic/Euphoria Model fell further into panic territory the week of 6/16/06.
- Previous panic readings argue for significant market gains in the next six months with better than 90% historical probability.
- The Panic/Euphoria reading the week of 6/16/06 was -0.63.

Source: Citigroup Investment Research – U.S. Equity Strategy



All American Equity Fund (GBTFX)

All American Equity Fund 5-Year sigma as of 6/14/06



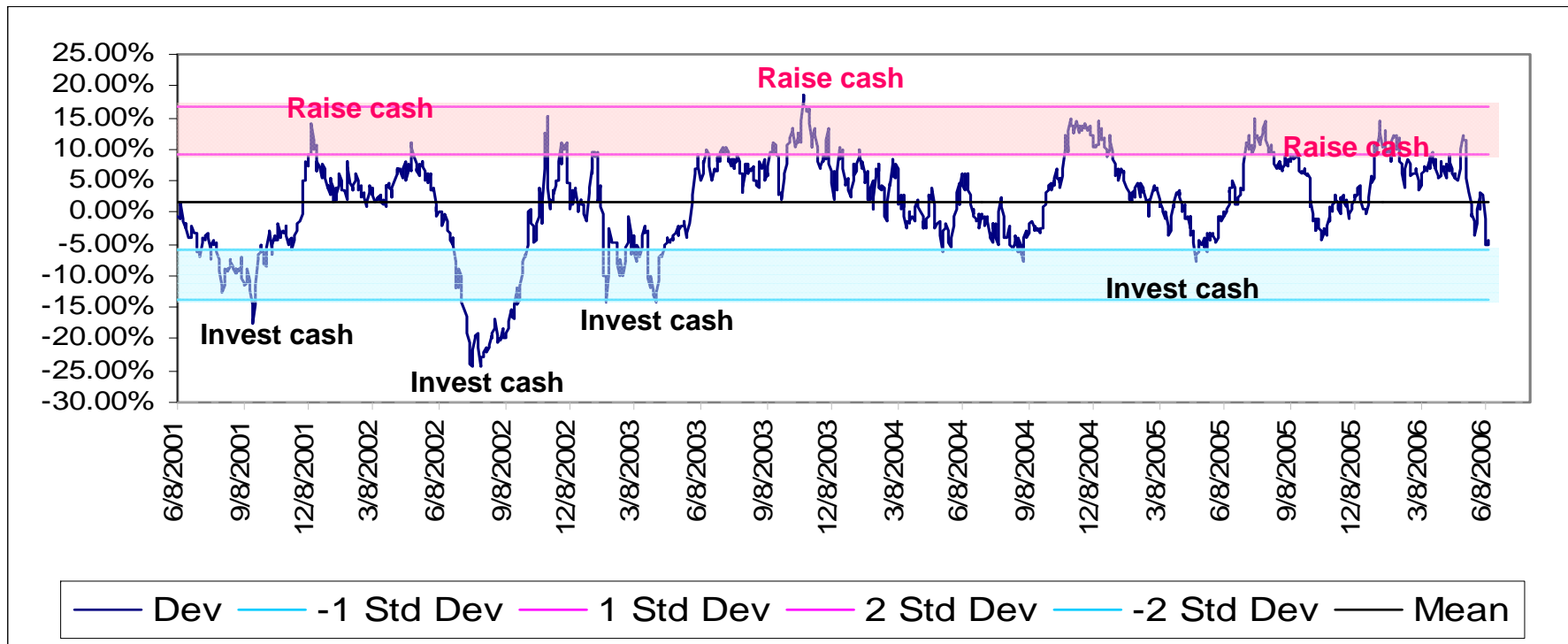
Probability Graph:	# of occurrences	% of occurrences
+ 2 Std. Dev	5	0.38%
+1 Std. Dev	201	15.38%
-1 Std. Dev	118	9.03%
-2 Std. Dev	55	4.21%
Current:	-0.83 std dev	

Source: Bloomberg



Holmes Growth Fund (ACBGX)

Holmes Growth Fund 5-Year sigma as of 6/14/06



Probability Graph:	# of occurrences	% of occurrences
+ 2 Std. Dev	3	0.23%
+1 Std. Dev	188	14.38%
-1 Std. Dev	106	8.11%
-2 Std. Dev	46	3.52%
Current:	-0.78 std dev	

Source: Bloomberg



Fund Sigma (Standard Deviation)

Magnitude for 1 standard deviation (1 sigma) as of 6/14/06*

Fund	Weekly	Monthly	Quarterly
Gold Shares Fund (USERX)	4.46%	10.16%	19.15%
World Precious Minerals Fund (UNWPX)	4.19%	10.16%	19.81%
Global Resources Fund (PSPFX)	2.80%	6.96%	13.15%
Eastern European Fund (EUROX)	2.75%	6.13%	10.18%
China Region Opportunity Fund (USCOX)	2.35%	5.54%	11.30%
Holmes Growth Fund (ACBGX)	2.23%	4.38%	7.60%
All American Equity Fund (GBTFX)	2.04%	4.47%	7.30%
Amex Gold BUGS Index (HUI)	4.77%	9.96%	17.79%
S&P 500 Index	2.05%	4.18%	6.89%

* Sigma is the Greek notation for standard deviation. Normally distributed random data series fall within ± 1 sigma from the mean around 68% of the time.



Suggestions To Manage Risk

1. Limit risk exposure to specific asset class.

ie: Resources 25% International 25%

2. Use dollar cost averaging model to build a position in any fund or asset class.

3. Rebalance different asset classes annually or quarterly.

Naturally, a program of regular investing doesn't assure a profit or protect against loss in a declining market. You should evaluate your ability to continue in such a program in view of the possibility that you may have to redeem fund shares in periods of declining share prices as well as in periods of rising prices.

Further, by diversifying into different asset classes as suggested by Roger Gibson and rebalancing annually, investors increase their mathematical odds to capture the power of "mean reversion" and manage the emotions of fear and greed better.



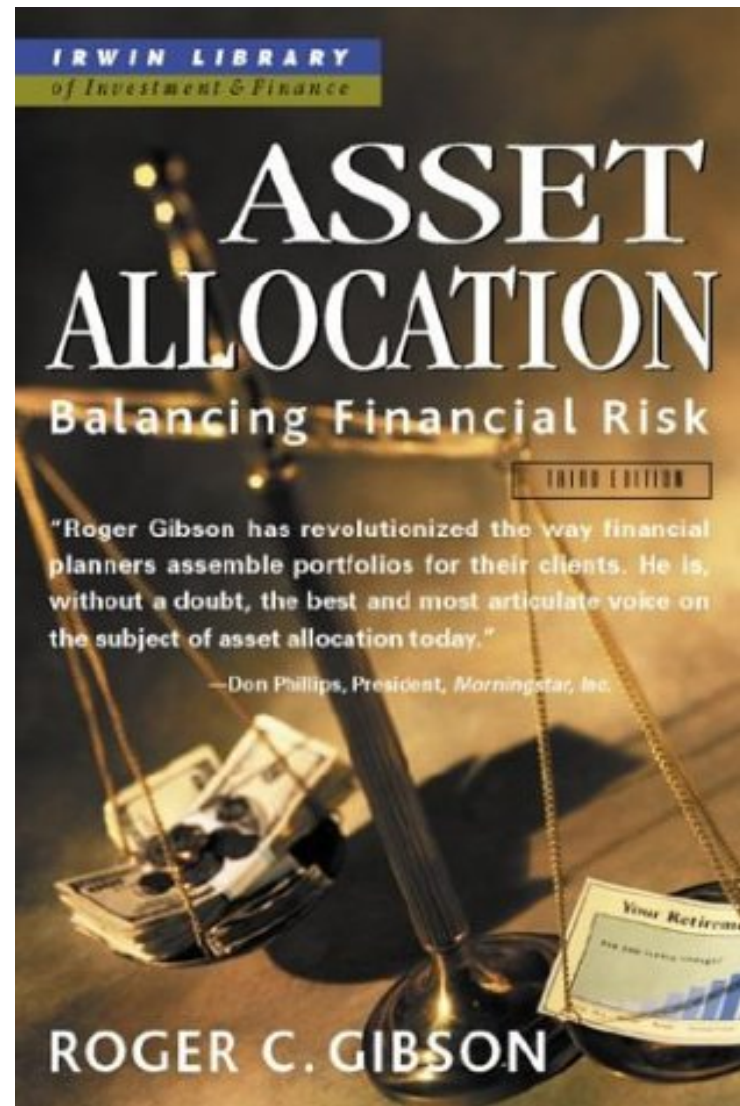
Asset Allocation

25% - Fixed Income

25% - Domestic Equities

25% - International

25% - Resources (Hard Assets)





Dollar Cost Averaging



Volatile



Stable



Four Asset Classes

INTERNATIONAL EQUITY FUNDS

- China Region Opportunity Fund (USCOX)
- Eastern European Fund (EUROX)
- Global Emerging Markets Fund (GEMFX)

GOLD AND NATURAL RESOURCES EQUITY FUNDS

- Gold Shares Fund (USERX)
- Global Resources Fund (PSPFX)
- World Precious Minerals Fund (UNWPX)

FIXED INCOME FUNDS

- U.S. Government Securities Savings Fund (UGSXX)
- U.S. Treasury Securities Cash Fund (USTXX)
- Tax Free Fund (USUTX)
- Near-Term Tax Free Fund (NEARX)

DOMESTIC EQUITY FUNDS

- All American Equity Fund (GBTFX)
- Holmes Growth Fund (ACBGX)
- MegaTrends Fund (MEGAX)



Significant Slowdown Coming

	<u>2 Yrs Ago</u>	<u>Latest</u>
Oil	\$37	\$70
10-Year Bond	4.74%	5.13%
Fed Funds	1.00%	5.00%
Yield Curve	374 bp	13 bp
Central Bank Tightenings*	20	83
NAHB Housing Index	68	43 (e)
Federal Deficit**	-\$459 b	-\$182 b
Real DPI Y/Y % (Disposable Personal Income)	2.7%	1.3% (e)
Real MZM Y/Y %	1.7%	0.5% (e)
Leading Indicators Y/Y%	8.0%	1.9% (e)

* Global 12 Month Sum ** 6 Month SAAR

Source: ISI Group



Will It Be Different This Time?

Every tightening cycle in the past has been associated with a financial crisis.

Fed Tightening Cycle

Financial Crisis

1970
1974
1980
1984
1987
1990
1994
1997
2000
2006

Penn Central
Franklin National
First Penn / Latin America
Continental Illinois
Black Monday
S&L Crisis
Mexico
Pacific Rim/Russia/LTCM
Nasdaq Collapse
?



Reasons for Secular Bull Market in Commodities

Demand Drivers:

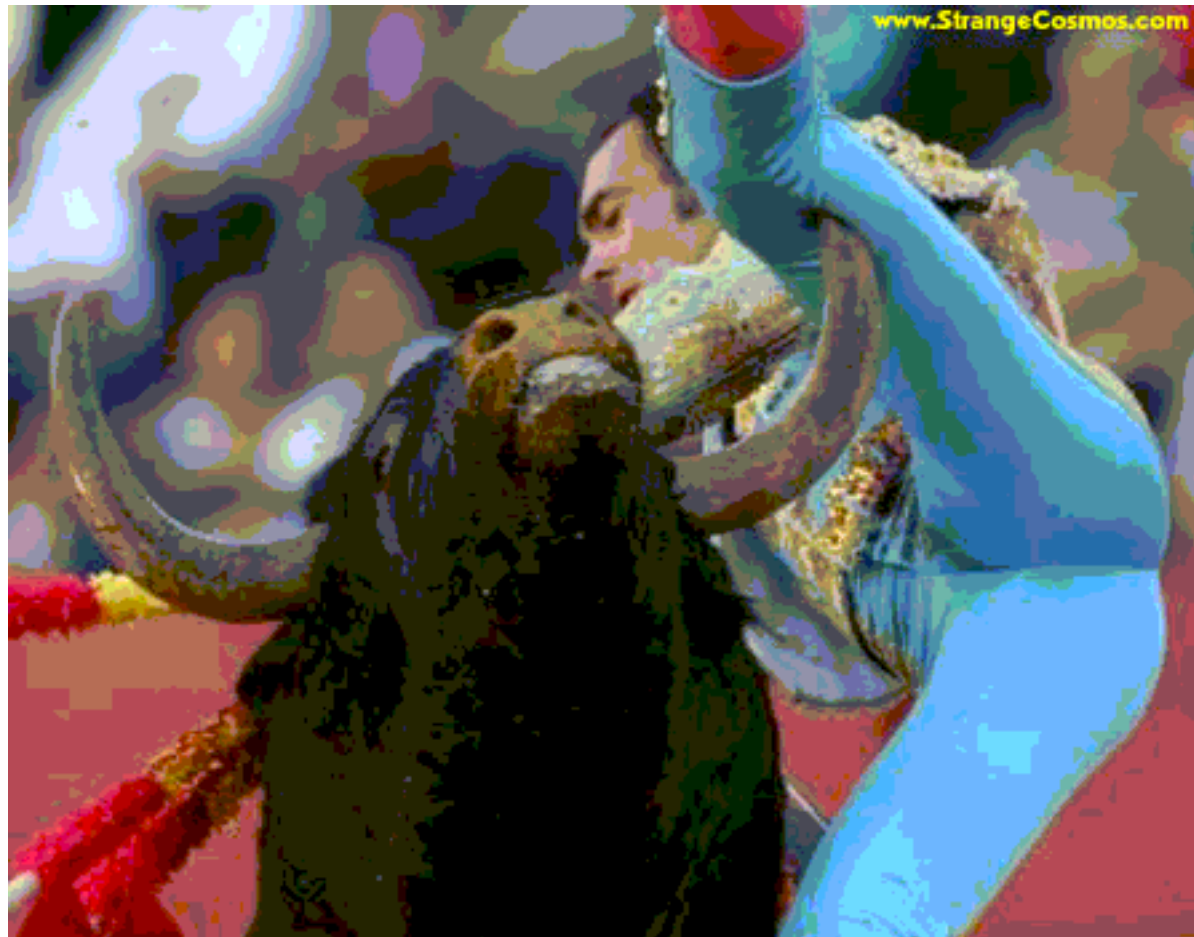
1. Global “synchronicity” of economies
2. Asia’s strong GDP & IP growth rate

Supply Drivers (Restrictions):

1. Higher barriers to entry due to global environmental and governmental regulations
2. Long lead time from exploration to production
3. Geopolitical events



Bull Market Risks





Disclosure

For more complete information about the

Eastern European Fund (EUROX), China Region Opportunity Fund (USCOX), Global Emerging Markets Fund (GEMFX), Global Resources Fund (PSPFX), Gold Shares Fund (USERX), World Precious Minerals Fund (UNWPX)

or any U.S. Global fund, including charges and expenses, obtain a funds prospectus by visiting us at www.usfunds.com or call 1-800-US-FUNDS (1-800-873-8637). Please consider carefully the fund's investment objectives, risks, charges and expenses. Read it carefully before investing. Distributed by U.S. Global Brokerage, Inc. An investment in a money market fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.

All opinions and estimates in this report constitutes U.S. Global Investors' judgment as of the date of this report and are subject to change without notice and provided in good faith, fairness and reasonableness but without legal responsibility. Foreign and emerging market investing involves special risks such as currency fluctuation and less public disclosure, as well as economic and political risk. Gold funds may be susceptible to adverse economic, political or regulatory developments due to concentrating in a single theme. The price of gold is 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 3% to 5% of your portfolio in gold or gold stocks. The S&P 500 Stock Index is a widely recognized capitalization-weighted index of 500 common stock prices in U.S. companies. NAHB Housing Index is an indicator of market conditions from the perspective of builders, and has shown to correlate with current and future housing starts. The Nasdaq Composite Index is a capitalization-weighted index of all Nasdaq National Market and SmallCap stocks. The AMEX Gold Bugs Index (HUI) is a modified equal-dollar weighted index of companies involved in major gold mining. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Philadelphia Stock Exchange Gold and Silver Index (XAU) is a capitalization-weighted index that includes the leading companies involved in the mining of gold and silver. Tax-exempt Income is federal income tax free. A portion of this income may be subject to state and local income taxes, and if applicable, may subject certain investors to the Alternative Minimum Tax as well. Bond funds are subject to interest-rate risk; their value declines as interest rates rise. A program of regular investing doesn't assure a profit or protect against loss in a declining market. You should evaluate your ability to continue in such a program in view of the possibility that you may have to redeem fund shares in periods of declining share prices as well as in periods of rising prices. Investing in small- and mid-cap stocks may be more risky and more volatile than investing in large-cap stocks. Holdings as a percentage of net assets as of 3/31/06: Pen Central (0.00%); Franklin National (0.00%); First Penn (0.00%); Continental Illinois (0.00%); Morgan Stanley India Investment Fund (0.00%)