



RIO CLUB Newsletter

SPECIAL ISSUE FEBRUARY 2002

RIO Funds - The Only Choice

Since their Launch in May 2001, both RIO Club Funds showed positive returns up to and through Sept 11 2001.

RIO Portfolio, the club's lump sum fund and Rio worldwide opportunities, favored by our regular investors, showed their worth on Sept 11 2001. Both funds held their positive positions while most world indexes took heavy losses. This is quite an achievement as most managed funds ended up in negative territory - some with losses of more than 30%.

R.I.O. Portfolio has a portfolio management strategy, which produces absolute returns in both bull and bear markets.

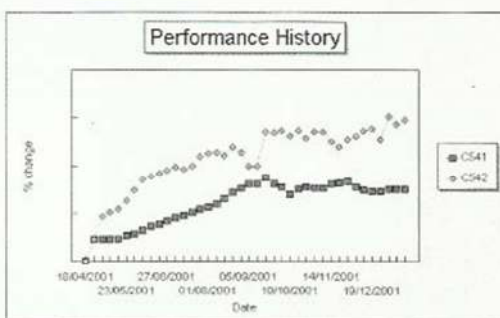
Objective and strategy:

Overall goal of gradual and steady capital appreciation.

Investment decisions are based on a combined analysis of fundamental economic, financial and political events that affect market prices; markets themselves and the potential risk/reward of a position.

Our researchers and market analysts are responsible for monitoring and evaluating worldwide events, which could affect various markets and developing investment strategies based thereon.

Careful risk management through monitoring and analytical



techniques intends to make risk management more rational and effective.

R.I.O Worldwide opportunities having seen 15 consecutive gaining weeks to Sept 11, lost no ground, protecting original capital invested along with almost all gains.

This clearly demonstrates the current risk management strategy employed is more than excellent. However, our investment team continually adapts its strategy to suit prevailing market conditions.

This is perhaps one reason why the club membership increased last year by over 20% surpassing our target figure of 15%.

R.I.O Club to Launch R.I.O Fixed Income Bond

This investment has a fixed maturity date of April 2007 or 2012 and is only available to club members. The R.I.O Fixed Income bond will provide a fixed gross annual income of 9% on your Investment each year for five or ten years starting on April 2002. It will then return your original investment in full on May 2007 or 2012 whichever is selected at the outset.

This parcel of select investment holdings offer an attractive alternative to the normal low risk, low return paradigm. As a shareholder in R.I.O. you would have the security and peace of mind of knowing that this investment has a fixed return per annum from guaranteed Income.

These holdings are usually secured by blue chip companies or similar where a lock up return is already in position, with all participating holdings meeting the stringent criteria demanded to offer maximum investment potential for the investor. All holdings held within the portfolio are UK based and have a minimum fixed term remaining on any holding of at least five years.



USA ECONOMY - A CLOSER LOOK

Who would have believed it? At the beginning of 1990, the Nikkei Dow was within a few points of 40,000. Friday - 12 years later - it fell to 9700.

Meanwhile, in New York, the Dow eased off to close at 9907. For the first time, the Japanese are ahead of the Americans in the dash to the bottom.

U.S. stocks are still lagging around near the very top of their price range - as if it were still 1999. But sooner or later, we guess, they'll get their running shoes laced up and get into the race.

Bankruptcy filings of major companies soared, in the USA with 257 companies filing for bankruptcy protection last year...representing \$258 billion in assets.

But consumers are becoming more and more confident - the index has been rising for the last 3 months. The increase in consumer spending was clocked at 5.4%, annualized, during the last quarter.

Never before have consumers spent with such a vengeance in the depths of recession, according to our research team. In the 28 quarters of the past 6 recessions, real consumption growth averaged a scant 0.5%. In only two of those quarters did consumption growth come in at 3.5% or greater, and those spending bursts borrowed from the immediate future. They were both followed by declines in the subsequent quarter that averaged 1.4%. The lesson is clear: with jobs and income under pressure, paybacks are the norm in the aftermath of mid-recession consumption spurts.

The economy grew by 0.2% in the last quarter, says the US Department of Labor.

But wait, 94% of that gain, "was in consumer durables, with 70% of that being in cars."

The GDP numbers tend to be revised downward later. The actual numbers in a few months will show last quarter to be negative.

Many people think the recession is over. I tend to think it hasn't quite begun yet...

And maybe indebted consumers and over-leveraged corporations are just the thing to lead an economic revival. Maybe foreigners will keep sending almost half a trillion dollars the US way every year to compensate for the fact that we Americans prefer not to save any money. And maybe today's cautious investors will be kicking themselves 10 years from now for not recognizing the golden opportunity afforded them in February of 2002 when stocks could be had for a mere + 35 times earnings.

Or maybe not...there is an alternative interpretation. First of all, in markets past, 35 times earnings was closer to a top than a bottom. Secondly, the nations leveraged consumers and corporations are far more likely to pay down debt than to boost spending. The trend may already be starting. Consumer spending fell 0.2% in December after falling 0.3% in November. Corporate capital spending also continues to plunge. Meanwhile, corporate bankruptcies soared 46% in 2001, according to the FDIC.



in more than 30 years."

The little bounce that the US market is getting isn't likely to last more than a quarter or two.

If it was some economist writing this, he might say about now, You know...I see that the recession is the shallowest on record. It's only shallow in "real" terms. In other words, it's only shallow after subtracting out nonexistent inflation.

"But do you know what happens when you look at GDP in nominal terms? (I couldn't believe it myself) USA's nominal GDP suffered the steepest drop

Nominal dollars are the ones you actually have in your pocket and in your bank account. So when nominal growth collapses, you feel it.

Economists can comfort themselves all they want with inflation-adjusted data, but if nominal growth does not improve, consumers won't spend. And if companies don't start earning more honest-to-goodness nominal dollars, all the "real" growth in the world will not be enough to pull the economy out of its slump.

A lot of folks are hanging their hopes for 2002 on the expectation that corporations will replenish their lean inventories.

When you flush a toilet, you assume it will refill immediately...and it usually does...unless it's broken.

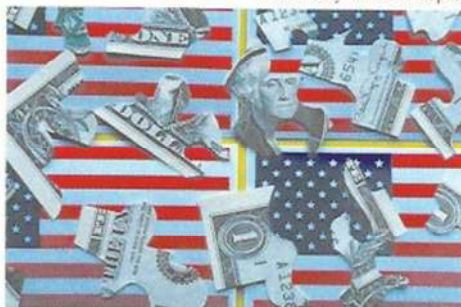
When an economy "flushes" most economists assume the inventory will be replenished immediately...and it usually is...unless the economy is broken. It could be time to call the plumber; America gives very little sign of replenishing inventories.

To the contrary, credit market trends portray a corporate America that is retrenching. If corporations were in the process of replenishing inventories, we should expect to see borrowings pick up. They aren't. In the corporate paper (CP) market, for instance, the dramatically lower interest rates have failed to attract borrowers.

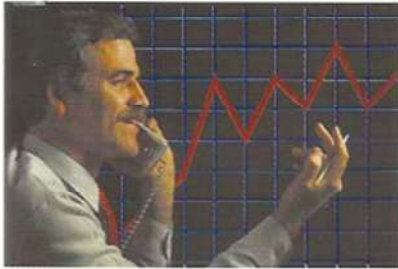
Despite the continuing slide of commercial paper (CP) yields, the amount of commercial paper outstanding has yet to pick up substantially. The latest yield on prime three-month paper now hovers around 1.64%, down slightly from its 1.70% month-to-date average, and almost 400 basis points lower than its average a year ago.

Non-financial paper outstanding collapsed almost 30% in January compared to last year, the 10th straight month for which year-to-year declines for this type of paper have topped 10 percent. Further, says Moody's, bank loans outstanding are also falling.

No borrowing = No spending = No growth.



HEDGE FUNDS - SOME IMPORTANT POINTS



The importance and impact of hedge funds make it a subject that many members should seek to understand as investing in this asset class as a stand alone investment rather than part of a properly balance portfolio would be imprudent.

Today, many private investors believe that Long-Term Capital Management L.P and George Soros are representative of the entire hedge fund industry. Although it is difficult to put an exact number on it, at last count there were over 3,000 hedge funds with roughly \$500 billion under management.

We have analyzed over 328 hedge funds before choosing our current holding in this asset class. Like myself our hedge fund managers put their money where their mouths are. I personally find this a more important factor than most.

The club today uses hedge funds as part of their overall risk management strategy although the asset allocation here is a small % of our portfolio's holdings. Our use of hedge funds is geared to preserving capital (Wealth Preservation). It takes money to make money. If you lose capital, you limit your resources to invest further and you will be out of business. RIO's professional use of this asset class limits the risk taken on other investment positions held within the club's portfolio. As a result a steady upward growth is achieved. RIO has assembled some of the most dedicated money managers in the world within our investment team. This shows in our ability to continually outperform the market during one of the world's most volatile years since 1982.

However, its important to note that there is a big difference between hedge funds and mutual funds. All mutual funds are highly regulated by the Securities and Exchange Commission (SEC) and are open to any and all investors, assuming they can meet the minimum investment requirements. Hedge funds are not open to the general public, only to accredited investors and institutions. Accredited investors as defined by the Securities and Exchange Commission are individuals who have a net worth of a million dollars or who have had net income of \$200,000 in the past two years and have reasonable expectations of continued income at that level. Hedge funds are not even allowed to advertise in the USA.

Enron in our opinion

By coincidence I had just written the above article on hedge funds, when I learned that Enron had been compared to Long-term Capital Management and feel compelled to express my opinion.

Long-term Capital Management...the hedge fund that lost \$4.6 billion on more than \$1 trillion of derivatives and was rescued in September 1998 in a private bailout engineered by the New York Federal Reserve. For the past week, I have conducted my own investigation into Enron, and I believe the comparison is out of line. Yes, there are similarities in both firm's use and abuse of financial derivatives, but the scope of Enron's problems and their effects on its investors and employees are far more sweeping.

According to Enron's most recent annual report, the firm made more money trading derivatives in the year 2000 alone than Long-Term Capital Management made in its entire history. Long-Term Capital Management generated losses of a few billion dollars; by contrast, Enron not only wiped out \$70 billion of shareholder value, but also defaulted on tens of billions of dollars of debts. Long-Term Capital Management employed only 200 people worldwide, many of whom simply started a new hedge fund after the bailout, while Enron employed 20,000 people, more than 4,000 of

whom lost their life savings as Enron's stock plummeted.

How many Enrons are out there? Maybe many.

Enron was run by smart men. "They indebted the company by using what are now standard techniques: derivatives. These techniques are so complex, so highly leveraged, that the 'gatekeepers' spotted nothing wrong."

Certainly, investors - casually eyeing the debit side of the ledger - saw nothing wrong. But now everyone is looking harder.

This debt complexity is worldwide and is growing. Derivatives are everywhere; over \$100 trillion worth, at least. No one knows how much money is at risk.

William Gray
Executive Chairman



High Risk Vs Return – Is it worth it?

R In September 1st, 2001 before terror struck... before the indexes collapsed, then rebounded we received an interesting e-mail from John Taylor who became a member of the club last year. His question: With such incredible uncertainty in the markets -- how can an investor interested in high risk possibly make money in this market?

Our answer: These have been some of the most difficult markets to trade in over a decade. However, Superleverage may be the answer to nail the spectacular returns. Mr. Taylor was seeking similar returns like the 1202% position we achieved last year, which closed out on August 5th, 2001.

Ofcourse, that was before the WTC attacks. How has our test case Superleverage performed since then? Let us take a look:

09/30/01	Dow Jones Industrial	Call/Put Spread	49%
10/07/01	Sears	Puts	47%
10/21/01	Michaels Stores	Puts	16%
10/21/01	Bed, Bath and Beyond	Calls	160%
10/21/01	Georgia Pacific Corp.	Puts	-47%
10/28/01	AOL Time Warner	Calls	97%
10/28/01	Flextronics Int. Ltd.	Puts	-14%
10/28/01	Sun Microsystems.	Calls	161%
11/04/01	Target	Calls	152%
11/11/01	Boston Scientific	Puts	17%
11/11/01	MapInfo	Calls	90%

Not too bad... 9 out of 11 positions correct -- for an average return of 66% -- since terror struck!

This shows the profit potential of options trading. Take note this type of investing is **very high risk**. Members should know that this asset class is not held within RIO portfolio or RIO worldwide managed funds. However, we do have this type of investment opportunity available to members who have a clear understanding of option trading and the risks involved. Since several members have expressed an interest in this type of investment opportunity we will consider discussing this further with those who already have a portfolio managed by us. Interested ? e-mail us at: therioclub@cbn.net.id.

We do not suggest that the average investor should consider options trading.

RIO Property Group Ltd.



RIO Property Group Ltd finalized lease surrender negotiations with the Clydesdale Bank Plc on 29th June 2001. Again RIO was successful in that the Bank agreed to our settlement figure set during February, which effectively reduced the book cost of the building to £250 i.e. almost zero. I think any investor holding shares with this part of our group could not fail to be impressed with this outcome, considering we only bought the building some 16 months previously. R.I.O Property Group Ltd put the building up for sale and is in final negotiations with the purchasers this month.



Picture above left to right John Sutherland (RIO Club), Juliet Irish and William Gray (RIO Club):

Juliet Irish won the Star Prize when she and her husband attended Scotland in Concert last year. The prize was donated by The RIO Club who sponsored this event. Any members interested in attending this years Scotland in Concert should e-mail us for details.

This year Scotland in Concert will be held on Saturday 25 of May at the Kempinski Hotel. This event raises money for various charities throughout Indonesia.



Gold to Shine Again. Is History Repeating Itself?

To cut a long story short, it argues that the tailwinds that have blown paper assets forward since 1979 have already begun to swing around.

From 1915 until 1926, the currents blew the Dow up to a level that was 15 times the price of gold. Then, in the whirlwind of a bear market and depression, people turned their backs on paper and clung to gold. In the financial debacle of the '30s, people lost confidence in paper; not in the dollar, which remained strong, but in stocks. Their distrust of stocks was so great that it took 22 years - from 1926 to 1948 - before the Dow began to rise against gold.

But once the trade winds got behind paper assets again, they blew steadily for the next 17 years, until 1965. By then, the ratio of the Dow to gold had reached nearly 30, whereas it had been below five in 1948.

Once again, after 1965, the winds changed direction and blew so hard, that the ratio of the Dow to gold fell to below one in 1980. In that year, gold sold briefly for more than \$800 an ounce.

Never again would the price of gold be so high and the price of stocks so low. The Dow began its epic rise in 1982...taking it to a new record high against gold in 1999. In that year, the Dow/gold ratio topped out at 42.

The hot air that carried the Dow and the dollar so high has cooled. The Dow is on its way down. The price of gold, more than likely, is on its way up.

Why should the dollar fall against gold?

The Enron bankruptcy, the de facto default on sovereign debt by Argentina, and a looming financial crisis in Japan are random but high profile reminders of a deteriorating global credit environment.

The lie hidden in the deepest entrails of modern central banking is that "money" can be created out of thin air. If the economy is growing too slowly, economists are heard urging the central bank to "put more money" in circulation. Of course, if more "money" could really make people rich, the Argentines of the 1980's would have been fabulously wealthy.



Instead, they became pathetically impoverished. Why? Because the central bank cannot really put more "money" in circulation. All it can do is circulate more of what appears to be money...paper currency or credit...in order to make people feel that they are richer than they really are. Under ideal conditions, the mock money causes people to spend and invest a little more freely...and gives a sluggish economy a boost.

But people cannot really spend money they do not have. Money must represent real wealth...real resources...or it has no meaning. Printing extra bills does not increase the amount of real resources available. So, handing out the extra cash and credit is a kind of deceit...which is welcomed by almost everyone, until it blows up.

The phony money causes people to change their behavior. They spend money they don't really have...and invest in projects they shouldn't. Money seems delightfully easy to



come by in the boom stage and gets tossed around casually. But then what happens? Eventually, people become aware that their investments are not producing the profits they had hoped for. They cut back. Consumers cut back too - realizing that they are not as rich as they had thought. And lenders, who were happy to extend credit to Enron and household pets when the economy was booming, become worried. Question marks begin to appear. Will debtors really be able to make their payments? Are earnings really what the company says they are? Will sales really go up in the future?

Lenders have become reluctant to make new commercial loans. Is it surprising? Bankruptcies, credit defaults, and late payments are hitting new records. Who would want to lend? And yet, if the rate of borrowing and spending declines the boom is over.

The quality of credit has been called into question. More and more "Enron stories" will hit the news. More and more question marks will appear. How can the U.S. afford such huge new government outlays?

Relative to gold, we expect the dollar to fall.

While the dollar had the wind to its back it seemed to make sense for central bankers to lighten up on gold and hold more interest-yielding, U.S. dollar assets. But central bankers must feel the new chill wind too. They, too must be asking questions.

"Central banks will suspend gold sales and balk at rolling over bullion loans. Market sentiment towards financial assets will sour further. The bear market in financial assets, already underway, will become more widely recognized."

*William Gray,
Executive Chairman*



US Price – Earnings ratio highest ever recorded

The oldest, most basic valuation measure of stocks - the price-earnings ratio - soared last week way beyond anything ever recorded, at least since 1872, for the 500 largest U.S. companies.

This ratio for the Standard & Poor 500 index hit a staggering 60 by last Friday, as calculated by Bloomberg. That's twice the level it reached during the Internet bubble of 2000 and more than three times higher than its historic average.

In other words, investors were willing to pay \$60 a share for every \$1 a share that companies in the S&P 500 earned during the past 12 months. During the Internet bubble they were paying \$25 a share.

As for Nasdaq, the companies making up the index haven't had enough earnings since last April to calculate any ratio that makes sense. The index of the 100 largest companies on Nasdaq is showing a loss of \$145 a share for the last 12 months.

At the peak of the bubble economy, the Nasdaq earned \$12 a share. But earnings have fallen faster than stock prices. The 230 Silicon Valley firms that reported 4th quarter earnings showed a combined loss of \$4.3 billion, up 9% from the previous year.

Euro Takes Center Stage

National currencies have practically disappeared from circulation in the eurozone, with more than 90 per cent of cash payments now being carried out in euros in the 12 eurozone countries, the European Commission said.

During January, the proportion of cash payments in euros in volume terms averaged almost 92 per cent, with the average above 95 per cent in Germany, the Netherlands, Ireland, Finland and Luxembourg.

"Only one month after the launch of the euro, very little national currency remains in circulation," the Commission said. "The euro has eased itself smoothly into economic life."

Xavier Durieu, general secretary of Eurocommerce, the European retailers association, said that the use of notes and coins had "evolved much faster than people had believed". But he warned that retailers would still need to instruct their customers on how much their currency was worth.

In most countries, legacy currencies will continue to be legal tender until the end of February, although Netherlands, Ireland and France have earlier cut-off points, with the Dutch changeover date being January 28.



However, legacy currency notes for all the eurozone countries can be redeemed at the European Central Bank until at least 2012.

With Dutch usage now between 96 and 98 per cent, according to the Commission, the abandonment of the guilder in two weeks time poses few problems. However, in France, where the changeover is due to happen on February 17, the shock could be more acute.

Just under three quarters of vending machines have now been adapted to the euro, the Commission said. It said there were still no recorded cases of "serious" forgery, and that cash transport companies were now concentrating on collecting old national currencies.

WorldCom 84% loss

Bernard Ebbers of WorldCom owes \$92 million more than his stock is worth. Investors sold the stock, eager to unload before Ebbers.

Ebbers has done something truly remarkable. In 1999, Ebbers was one of America's richest men. His WorldCom shares were worth \$1 billion. Since then, the stock has fallen 84%. Now, he's one of America's poorest men. It is a rare man who can carry both distinctions with such grace.

But Ebbers only did what everyone else does - he tapped his equity when he had a lot of it...borrowing nearly \$200 million against his WorldCom shares. Thus has Mr. Ebbers provided the world with an example on what happens when a bubble economy deflates. The "equity" disappears...but the debt remains.

How will we know when the bottom is finally reached? Look for Ebbers' picture among the Forbes' gallery of "America's Poorest People"...or Enron on the new list of the "Misfortune 500."



Belize Another Gate Closes - Only Two Months Remaining

Time is quickly running out on one of the few remaining economic citizenship programs in the world.

I am talking about the tiny English-speaking Central American country of Belize, whose current second passport and economic citizenship program is set to expire at the end of March.

Firstly a passport from Belize, a member of the British Commonwealth of nations, will let you travel visa-free to over 100 countries, many of which place visa restrictions on American passport holders.

Secondly if you can arrange your financial affairs and your schedule in a certain way, a passport from Belize actually may help you defer taxes in a big, big way. This is a sophisticated and involved process but perfectly legal.

This factor may not be important to you right now, or even practical. However, think about where you might be in 10 or even 20 years time. It sure would be nice to leave this option open.

Let's face it, a second passport is not for everyone. However, if you have got a decent amount of money saved, if you like having the freedom to travel overseas, if you are interested in protecting what you have got, if you value your privacy and you like the idea of overseas investments, a second passport makes good sense.

It is to note that citizenship and passports granted under this program are irrevocable, unless you violate Belizean law or engage in some illegal activity using the passport.

Second passports are fully legal under international law. Furthermore, the fact that the Belize government is ending the economic citizenship program will not affect your status as a Belize passport holder.

If you are interested in the idea of second citizenship, you should think seriously of acting soon, before the Belize window closes. As I mentioned, time is running out. March 31st is the deadline.

Belize is one of the better offshore banking havens in the world. For another, it has some of the most beautiful (and most affordable) beaches in the world if you stay away from the overcrowded and overpriced cays off the coast of Belize City (such as popular Ambergris). With a population of only 250,000, Belize is one of the least-populated countries in the world.

In Belize there are 24 inhabitants per square mile. In other words, there's more than enough land to go around. For this reason, the government is giving some of it away. You have to agree to develop it within a certain amount of time (usually three years). When you hold up your end of the bargain, the government will hand over title of the land to you.

Belize's "QRP Program," its residency program for foreign retirees involves almost no red tape. You need only show an income of \$2,000 a month to qualify, and you will never pay Belizean taxes on income earned outside Belize.

New Zealand

If you are looking for an easy place to settle all or part of the year, then this little Pacific-Island paradise should be near the top of your list. New Zealand has long been one of our favorite destinations for overseas living and investment.

What about New Zealand's residency laws?

Yes, you can gain residency and citizenship here (a question people ask all the time) by providing the country with a useful skill or financial investment. I admit the process may try your patience.

New Zealand is booming. In recent years, the economy has grown at an average rate of 7% with inflation hovering at only about 2%. According to the past year's publication of the "Index of Economic Freedom," New Zealand is the fourth-freest country in the world in which to do business. By comparison, Switzerland and the United States came in fifth and sixth, respectively.

Consider these properties on offer:

- A one-bedroom apartment with a balcony in the heart of cosmopolitan Auckland lists for US\$69,000.
- A two-bedroom home on an acre of waterfront with boat access near Hawkes Bay is on offer for US\$65,000.



- 100 acres of rolling hills with a trout stream and trees near Pacific Ocean beaches and set amidst vineyards lists for less than US\$157,000.

Sir Roger Douglass - New Zealand's former finance minister who practically single-handedly launched New Zealand's economic boom. He implemented some of the most important reforms in any country of the 20th century, placed the central bank chairman on performance contract and refused to print money to save reckless banks and inefficient companies from bankruptcy. The results have been astounding.



Risk of Conflict in the Middle East Increases

A Conflict in the Middle East = Oil Profits

It is simple. Conflict in the Middle East invariably leads to higher oil prices. Consider recent history:

- The Yom Kippur War, 1973 -- fought between Israel and its Arab neighbors, quadrupled the price of oil, from \$3 a barrel to \$12 a barrel.
- The Iranian Revolution, 1979 -- effectively removed one of the worlds kingpin oil producers and pushed oil prices from \$12 a barrel to \$24 a barrel.
- The Iran/Iraq War, 1980 -- jump-started oil prices again, sending them from under \$22 a barrel to over \$35 a barrel!
- The Iraqi invasion of Kuwait, 1990 -- propelled oil markets into the stratosphere. The price of crude climbed from \$20 a barrel to over \$35 a barrel.

In each case, investors that caught the move early made fortunes.

During 1990 we took profits in excess of 200% in this market. This event driven opportunity could present itself yet again.

Last year it was Saudi Arabian Crown Prince Abdullah that said, "We are sitting on a powder keg that could blow up at any time." Because of recent world events he could be right.

Look at the past, present and future -- it portrays an interesting picture

In 1973 the United States imported 34.8% of its oil. President Jimmy Carter considered it a crisis. This was because Persian Gulf states controlled 65% of the worlds known oil reserves, and that was a serious problem. In the 1970s when the OPEC cut back production, Americans waited in line for hours for a fill up. The economy took a beating.

That was 30 years ago. Today, the U.S. imports 53% of its oil and most of that comes from OPEC producers. More than half of it flows through the Persian Gulf. Industry experts predict that by 2010, the Persian Gulf states will supply 75% of the world's oil... and they'll rake in \$250 billion a year in the process.

This is one of the largest transfers of wealth in history.

Members Corner- Disturbing Letters

Investor Beware

Before I became a member of The RIO Club, my investment advisor in Dubai recommended momentum with Scottish provident in the IOM. I was investing large sums of money on a monthly basis into a plan that had a 15 year term.

The "advisor" told me that although the plan had conditions consisting of escalating monthly premium, there would be sufficient funds available after 10 years or so to pull out, pay the penalties, and still have substantial amount left to plan future investment for me. After 6 years and a capital investment of 132,000 pounds this advisor managed the investment in such a way that his professional advice had lost around 40,000 pounds of my original capital.

When challenged my Dubai advisor turned out to have a buy and hold policy, with no attempt to monitor the funds to protect profit and/or advise on switches between funds. Could not care less in other words. Forget the poor performance of the funds, and hang on to Scottish Provident funds for the next 8 years was his advice - it will come back. His reluctance to help me resulted in a further erosion of 10,000 pounds.

If I wished to surrender the policy Scottish Provident would charge me a further 11,000 pounds!

Since joining the R.I.O. club things have been dramatically different. My investments are actively managed and have produced positive results: I have recommended the R.I.O Club to several friends who became members last year.

John G. Flannigan.
18.02.2002

A Bitter Pill

It all started with a phone call a few weeks after I was transferred from Yangon to Jakarta in October 2000. The call came from a very slick sounding American representing a broker's company name I knew and referring to my predecessor as the source of his contact. The brokerage was based in Manila initially and the shares I supposedly bought were in two companies, Software Solutions Inc., and COA Development Corp.

I knew I was taking large risk but had no idea at the time I was being conned. I was convinced I was going to make a killing! A few months later the first brokerage transferred their business to another outfit in Bangkok and sent me some of the share certificates by courier. This action aroused my suspicions but I was still able to check out the shareholdings on NASDAQ.

It was not long after that when I met Bill Gray and John Sutherland of the RIO Club and talking through investment opportunities with them I obviously mentioned these two shareholdings at which point the con was exposed. Bill explained, that I had invested in an OTC stock which has little to no volume and as such not liquid. The amount of shares I held was more than the total volume traded in any day since I acquired this stock. This stock would be impossible to sell without a buyer - no volume no buyer it's that simple! Since our discussion one of the stocks has disappeared from the NASDAQ listing.

It is hard enough to admit to myself to having been conned, harder still to tell others, but it did happen and I know it has happened to a few others in Jakarta. It is a bitter pill to swallow.

Beware these unscrupulous callers. These guys may well have been shut down but there are many others out there. I have learned the hard way - don't let it happen to you.

I am very happy to say that The RIO Club now handles a significant part of my investment portfolio and was instrumental in arranging a 100% interest only mortgage through The Royal Bank of Scotland International to purchase a London letting property I bought last year - a supposedly impossible arrangement according to general professional opinion!!

Ian A Stewart
18.02.2002

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