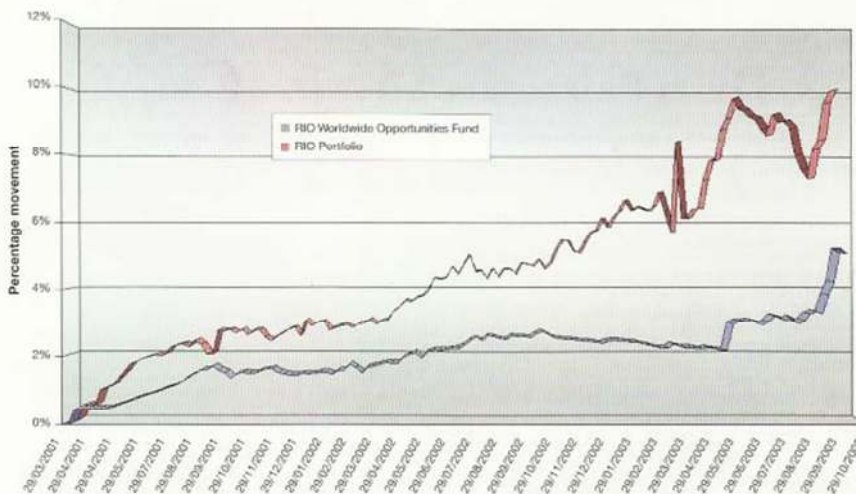




RIO CLUB Newsletter

September - October 2003 Issue

RIO Funds at all time high!! Performance to continue



The graph above shows the performance of the RIO Clubs two managed equity funds. Both RIO World Wide Opportunities (regular investment) and RIO Portfolio (lump sum) have reached all time highs since their launch.

The Fund Manager continues the low risk approach to both funds; protecting both capital and gains and also taking advantage when the risk ratios permit.

The current holdings will benefit both funds in the coming months and the target return should be realised as this they continue their active trading strategies.



Recent Executed Trades

Currency Trade 4.70% profit in 22 days!

Please find opposite the US Dollar / UK Sterling exchange rate graph. We are happy to report that we sold Dollars to Sterling on 3rd September 2003 and then reversed this position on 24 September 2003. As you can see from the graph these dates are the highs and lows over the period and we were therefore able to see a good profit of 4.70%.

This trade was placed for both of the RIO Funds; RIO Worldwide Opportunities and RIO Portfolio confirmation of which is reflected in the performance for the funds.



China Petroleum 10% in 12 days!

As promised here is an update on the positions taken in Chinese stocks and the executed trades.

This trade does not relate to both funds, just the RIO Portfolio Fund because this is a direct stock holding fund.

We added the China Petroleum stock to our fund on the 2 July 2003, acquiring this asset at \$23.85 (gross). At the same time we set the benchmark to sell at +\$28.30.

Our benchmark was hit on the 14 July when of course we took the profits.

Do not miss out on our Stock tips; cash in on them in our Weekly Report (8th July 2003) entitled "China Report Update" Here we Noted:

The stocks I recommend are extremely cheap (trading around book value) pay high dividends and are in a secure industry (energy).

Although this is probably a refresher course for most of you, let me explain in detail what has been added to our Portfolio Fund and why. First, these companies – PetroChina, Sinopec and Huaneng Power – are the largest and best energy companies in China. The oil companies are also solid value stocks Buffett is buying PetroChina now, this does not mean we are right of course; just ahead of the rest!

William Gray
Executive Chairman



Many people talk about success.

We prefer to be successful

and let other people talk about us



China – Up Date Our Stock Tips Average 23.96%

To date our China Strategy has been very successful. Specifically, the strength of the Chinese Yuan has continued to grow. Although this cannot be reflected in the exchange price of the Yuan - because of China's currency controls - the increasing exchange value is obvious by the size of China's surging trade and capital account surplus with the United States.

In the first seven months of 2003, China recorded a \$6.1 billion trade surplus, with exports up 33.4% to \$228 billion. Interestingly, domestic demand has also strengthened this year, reflecting China's growing status as an economic power. Imports were up 42% over last year in the first seven months.

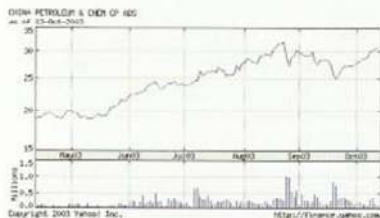
For our purposes, the strength of China's economy - both the export economy and the import economy - indicates that demand for energy in China is rising. That bodes well for our stock picks, which are all energy related. At the time of writing, my three picks are up as follows:

UPDATE: 10-Oct

Company	Symbol	Buy \$	Current \$	Return
PetroChina	PTR	\$28.40	\$36.90	23.04%



Sinopec	SNP	\$23.88	\$30.33	21.27%
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Huaneng Power	HNP	\$46.00	\$63.47	27.53%
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The two China indexes I follow for comparative purposes - the Bank of New York's Chinese ADR index and the Dow Jones China 88 index - are up 4% and flat respectively.

The ADR index is up, while Chinese stocks are flat. This may be because US investors see Chinese stocks as a way to hedge against the weakening dollar, as we forecasted months ago. Meanwhile, the stocks I recommend in my Strategy Report are outperforming the market for Chinese ADRs because they were undervalued and have strong individual investment characteristics.

To clear up any confusion, here again is why I believe the Yuan must soon float freely and why, when it does, it will almost surely strengthen versus the US dollar.

First, the Chinese Yuan is the most undervalued currency in the world, trading for about half of its trade exchange (or purchasing power parity) value. No currency has ever been able to maintain this kind of disequilibrium in history.

Suggesting that the Yuan will not appreciate is akin - financially - to suggesting that gravity doesn't exist.

Second, because of China's currency-value advantage, via its capital control laws, Chinese exporters are, and have been, experiencing huge growth. The result is large inflows of U.S. dollar reserves into China's banking system. China holds \$300 billion+ of such money and is taking in about \$50 billion more per quarter. These inflows of capital have already begun a property mania in parts of China.

When an economy is growing rapidly, the value of its currency should rise. When the government doesn't allow the value of the currency to rise, asset prices must rise.

Either asset prices or currency prices, or both, must adjust to the growing strength of the Chinese economy.

(If you'd like to double-check my facts on this matter, there have been dozens of articles from major economists published in the Financial Times and the Economist since my China Strategy was published back in June).

Third, the U.S. has begun to lobby heavily for an adjustment to the value of the Yuan. As China's most important trading partner, the U.S. demands cannot be ignored for long.

Fourth, finally, regardless of China's political leadership, as a member of the WTO, China must float the Yuan by 2008. If it remains pegged at the same price level until then, there will be a massive asset bubble in China, which would result in a huge appreciation of the shares I've recommended buying.

I have taken profits here for RIO Portfolio as it a low risk fund and as such I must take profit and move to safety.

However, I recommended several members to hold position, which they have to their advantage. These members are prepared to accept the extra risk.

If you are interested in our stock picks please e-mail us.



OPPORTUNITY REALISED!!
HOW MANY MEMBERS TOOK OUR ADVICE IN THE FEBRUARY
2002 ISSUE OF RIO NEWS AND BOUGHT GOLD
AT \$281 AN OUNCE?



Gold Passes \$383 Mark!

September 9th 2003 Update gold traded over the critical \$383 level this morning in early trading! Investor gold buying was triggered by concern that the skyrocketing costs to rebuild Iraq will shackle the U.S. economy for years to come.

The latest wave of "safe haven" buying appears to have been triggered by President Bush's request for another \$87 Billion dollars this year in the war effort in Iraq and Afghanistan. Bush called on Americans to make "greater sacrifices" to fight terrorism.

The Safe Gold Hedge

Investors are now hedging their portfolios with a touch of gold. In troubled times, gold acts as insurance against a stock market decline and the continuing weakness of the U.S. Dollar. With interest rates so low and the stock market still questionable, investors are left with few "safe havens", except gold. We've seen this trend take gold from a \$258 low in recent years over the \$383 level.

Should you Buy Gold Now?

In our opinion, the continued demand from investors could push gold quickly from the \$380's past the \$400 an ounce level as there is little technical resistance in between. Many gold insiders feel that a close over \$380 will point to a quick move to \$400-plus.

However, gold will consolidate first before moving higher. It's likely \$400 an ounce is going to be breached this year-and quite likely very soon.

Gold to shine again

If you recall we predicted this in our RIO newsletter issue of February 2002. When gold was \$281 per ounce. Time has proven us right-on-the-money!

Considering all the efforts to prop up the U.S. economy (and the Stock Markets) investors appear determined to park funds on the sidelines and build a defence with gold.

Gold About to Make Big News!

When that \$400 mark is breached, gold will suddenly be the hottest topic of conversation among analysts, investors, stockbrokers, CNN, and CNBC viewers.

There is sure to be an overwhelming short-term influx of gold buyers. However, be warned the risk of downside at that point would be great!

If you missed the boat don't try to jump on board, you may end up getting more than your feet wet.



US Dollar Volatility to Continue!

An orderly depreciation of the dollar, is what the world hopes for. A lower dollar would help ease America's debt burden, it would lower the current account deficit and it would give American manufacturers a little boost in global commerce. But hoping for something doesn't make it happen.

History tells us that the U.S. dollar has only just begun its downward descent. On a broad trade-weighted basis, the dollar (in real terms) has fallen from its early 2001 highs. In a full-blown current account adjustment, a drop of around three times that magnitude can be expected - not all that different from the 30% real depreciation of the dollar that occurred in the late 1980s when the current-account disequilibrium was far less acute. In the end, a lopsided world has no choice other than to accede to a weaker dollar.

We note that the last time the dollar began a serious decline was before Alan Greenspan became Fed chief and whilst the U.S. still had a positive net overseas credit position. Until the mid-'80s, more was owed to the people of the U.S. than was owed by them. Now, Americans are about \$3 trillion indebted to the rest of the world and go deeper into debt by \$1.7 billion every day.

But what did investors think? Did they think the world's financial system could get further and further out of sync? Asia's balance of trade with the U.S. is getting more and more lopsided with China's exports, for example, growing at almost 40% per year. Reserves of dollars in that part of the world are piling up. Already estimated at more than \$1 trillion, they're rising by 20% per year.

Meanwhile, the dulcet voice of debt has seduced millions of Americans into ruining themselves. Since 1975, for example, personal bankruptcies are up 400%. Foreclosures have risen 350%.

The Dollar Standard system - which allowed Americans to spend money they didn't have - worked so well; people saw no reason it should ever end. Why else would consumers go deeper into debt... even with unemployment rising? Why else would they lend money to the U.S. government for 10 years and, after inflation, get almost nothing in interest? They must all think nothing can go wrong. Or why would they buy stocks at 50 times earnings unless they believe that everything must go right. The current risk/reward ratio would suggest not to invest in the US stock market at this time. **We remind readers. Be warned!!!**

The path that the Fed and the central banks of the world is on, is the path to bankruptcy, and I refer specifically to bankruptcy of the currency. You can't run negative annual budgets of half a trillion and negative trade balances of half a trillion and still have a stable currency. It's not possible. The way things are going has put the dollar on the path to either steady attrition or outright collapse.

Already, many Asian central banks are exploring ways to lighten up on their U.S. dollar holdings.

"The Chinese aren't lapping up us treasury paper for its great investment attributes," quips Stephanie Pomboy of MacroMavens, "but [rather] because of a mechanical need to maintain the Yuan/dollar peg. Given the formidable shortcomings of maintaining this peg, it is no wonder why there is a clear movement afoot across Asia to wean itself from its dollar dependence. The EMEAP (the Executives Meeting of East Asia and Pacific Central Banks) has launched an Asian bond fund to recycle Asian central bank dollar

reserves into dollar-denominated Asian debt...

China's suggestion that it is considering a peg to a basket of currencies is just another piece in its larger puzzle... one which will ultimately find Asia unleashing itself from the dollar altogether. Of course, this will not happen overnight. But as Asia comes together to deflate the bubble the US have foisted upon it, the sun will set on dollar.

Such a sunset would be particularly unpleasant for Americans. Continuing dollar weakness could exert a disastrous influence over international capital flows. As it stands currently, America borrows hundreds of billions of dollars from foreigners every year and racks up half-a-trillion-dollar trade deficits every year, without ever worrying about when, if ever, the rest of the world will tire of funding a Texas-sized capital requirements. But the Day of Reckoning may yet arrive, even if - like British Rail - it does not show up exactly when it is expected.

Officially, the U.S. has a GDP of about US\$11 trillion, while China's GDP amounts to US\$1.1 trillion and India's to about US\$500 billion. Moreover, whereas the world's GDP stands at about US\$32 trillion and the advanced economies have a combined GDP of US\$25 trillion, the emerging Asian economies (including China and India, but excluding Hong Kong, Japan, Singapore, South Korea, and Taiwan - countries that are classified as advanced economies) have a GDP of just US\$2.2 trillion. However, if we look at some production figures, it becomes obvious that the U.S. economy is nowhere near ten times as large as the Chinese economy, or more than 20 times the size of India's GDP. Neither do the G7 countries have a GDP ten times larger than the emerging Asian countries.

According to The Economist's World in Figures 2003 directory, China ranks as the world's largest producer of cereals, meat, fruits, vegetables, rice, zinc, tin, and cotton. It is the world's second-largest producer of wheat, coarse grains, tea, lead, raw wool, major oil seeds, and coal, the world third-largest producer of aluminum and energy, and ranks between fourth and sixth in the production of sugar, copper, precious metals, and rubber.

However, if we consider that China is already the world's largest manufacturer of textiles, garments, footwear, steel, refrigerators, TVs, radios, toys, office products, and motorcycles, just to mention a few product lines, and if we then add the industrial production of Japan, Taiwan, South Korea, and India, we get a totally different picture of the size of the Asian economies than is suggested by statistics.



CENTRAL BANK LIQUIDITY AND US\$ WEAKNESS

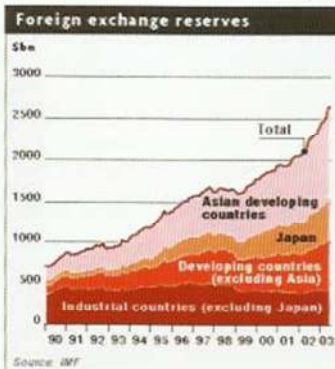
One of the interesting things about all the recent currency volatility is that everyone is now talking about further US\$ weakness. The US\$ has already weakened 30-40% + against the Euro/A\$/NZ\$/CS and SA Rand, so where will the US\$ weaken next? Asia perhaps? The Yen has been in a trading range around 120 yen and has recently weakened to below 110 and is a likely target - 30% means 84 yen. The Rmb and Hong Kong \$'s are pegged, so unless someone can convince the politicians that it is good idea, forget it. Everyone would like to short the US\$, but go long what? The Europeans have had enough of a strong currency, the resource country exporters are hurting and the rest are pegged! Three months ago the euro hit 1.19 and then US\$ strength returned forming a trading range. Perhaps the time has come to be bullish; dollar/euro again short term?

Liquidity analysis last week by Cross Border Capital in London highlights the fact that the US Fed has become the tightest of all central banks. What? US\$20 billion per week of new money and it is the tightest. Yes, the European Central Bank and the Bank of Japan (BOJ) are printing more money than Greenspan, which is very very scary indeed. Our view remains bullish the Yen and emerging Asian currencies, whilst the other currencies will remain range-bound.

THE ASIAN CENTRAL BANKERS

Last year emerging economies in Asia held about US\$1,000bn in official foreign exchange reserves, out of a global total of US\$2,500bn, according to the IMF. Japan's reserves made up another US\$500bn, which together is a far greater proportion than their share of global trade and GDP. With such very high levels of private savings, Asian Central Banks have taken up the

challenge of financing the US current account deficit almost single handedly and now own 45% of US Treasury bonds or US Government debt. China being the major player as Beijing remains reluctant to readjust the Rmb 8.28 peg. Asian economies have learnt from the 1997-98 Asian crisis and are building or protecting for the future. Yet they have kept their currencies 10-30% undervalued and rather than seek economic growth at home by boosting domestic demand, the central banks have lent to the world - primarily the US - in order to finance US purchases of their exports. A word of warning from the IMF is, 'it is one thing to save reserves for a rainy day, but US\$1,000bn looks more like building Noah's Ark!' This strategy of the Asian central banks is also fueling the imbalances that the US is so at risk from and it doesn't really make portfolio sense as they can earn better yields in their home fixed interest markets.



imbalance must now be corrected.

In conclusion, Asian central banks are just as guilty as the US Fed in having helped fuel the global imbalance by financing the debt laden US consumer, to keep buying its exported goods. If they stop, US Treasuries will rise and the US\$ will correct. The magnitude or how quickly this happens is in the hands of the Asians. What is NOT in doubt is that if the Asians did decide explicitly to use either reserves as a lever, and particularly if they ostentatiously sold rather than merely stopped buying, they could have a powerful effect. In a crisis I would rather have my money with the banker rather than the debtor. Perhaps this was always the end plan? But either way the

Administration View Point!

Joining the RIO Club has already proven an eye opener for me. Having had eight years experience working for one of the leading offshore Life companies, both in the Isle of Man and Hong Kong, and having enjoyed the resources and systems that were in place, it is very interesting to be starting over.

It was extremely beneficial to meet a number of Club members on my initial visit to Jakarta and to take note of the comments that were made. The main theme of these, and I am sure that many of you will agree, was that the administration service previously offered by the RIO Club had not been the strongest element of the package offered by RIO.

Having reviewed the existing system we are now looking to make marked improvements. The first of these improvements has been the review of our website, www.therioclub.com

For any members that have not yet visited the site we would encourage you to do so. The website is now updated weekly, in particular our fund graphs and the weekly report. Although the site has already seen an improvement please note that this is only an initial review and further improvement work is expected in the very near future.

Compliance

Aside from the administration role I will also be responsible for the Clubs compliance with Anti-Money Laundering Regulations - in particular for our TLP Fund.

The events of September 11th have again reinforced the need for tight anti-money laundering guidelines and these have been stringently employed around the world, not least in the USA.

Many people may view these new regulations as nothing more than an additional pain. They are, however,

extremely important, providing as they do, a safe haven for investment. It is therefore good to note that the RIO TLP Fund meets all the new requirements employed by both the US and the Isle of Man.

Office coverage

Being based in the Isle of Man the office coverage provided for RIO Club members is now around the clock (both in Jakarta and the IOM).

It is also worth noting that the cost of this service is not being borne by you - the client. In fact the Clubs annual management fee will not be increased in the coming year, something which is not only unusual but more likely unique.

Please feel free to contact me with any queries that you may have.

Mat Williamson

matwilliamson@therioclub.co.uk



The Number One Retirement Destination in the Western Hemisphere! Our 29 country study has found the worlds next great retirement destination.

There are investment opportunities, magical retirement opportunities, bargain property deals, powerful tax incentives, offshore banking possibilities, attractive government incentive programs, tax-free business opportunities and more.

For example, you can:

Purchase raw land for as little as \$538 an acre (and it's just minutes away from a beautiful secret valley).

Open an offshore bank account in one of the last few remaining truly private offshore havens (80 multi national full-service banks have their offices here!)

Buy a brand new car every two years duty-free!

Purchase some of the most beautiful and affordable beachfront property in all the Caribbean (lots for as little as \$25,000).

Where could this be? PANAMA! Surprised, Dont be, read on!!!

Due to political dramas in the late eighties the world has largely ignored Panama--deeming it too dangerous. Nothing could be further from the truth. To set the record straight: The dictator, General Manuel Noriega and his corrupt self-serving government have been out of power for more than a decade now.

That's what makes Panama so interesting--particularly now. Nobody's scrutinising it. It's largely undiscovered. It's recent dramatic history has kept people away--and created one of the most exciting and unique opportunities in years.

Furthermore, despite what you may read in the mainstream press, Panama's economic performance is, almost every year, better than that of just about every other country in Latin America. In fact, over the past 40 years, the country's inflation rate has averaged less than 2% per year that's simply unheard of south of the United States. This country is an anomaly in Central America.

Panama is a liberal, free country with



all the advantages of tropical Caribbean living--but few of the disadvantages. For example--the roads are almost pothole free it's out of the hurricane belt (in fact it's barely even experienced fast winds in the last century) it has state-of-the-art infrastructure and services, fast Internet access, cable TV, access to U.S. style products and services on a excellent healthcare.

In many of last decade's great retirement havens (like Belize, Honduras, Costa Rica) expats had to sacrifice a number of these things. But because of its strategic location, its U.S. influence and its famous canal, Panama offers state-of-the-art benefits usually only available in 1st world countries.

We investigated 29 countries in our retirement index. We weighed up cost of living, special benefit programs, property, safety, infrastructure, climate, culture--and Panama came out Number One. That's a pretty impressive performance. And it's not only us that's singing its praises.

The Tripartite Committee ranked it Number One in the region for low cost of living.

Political Risk Services named Panama one of the top three countries in the hemisphere for best-risk investments.

According to Canada's Fraser Institute, Panama is at the top of the list of the world's freest economies, ranked eighth with Australia, Ireland, the Netherlands, and Luxembourg.

The Pinkerton Global Intelligence Agency recently gave Panama it's highest rating for tourist safety.

Panama is setting itself up as the New Costa Rica. It has put together the most appealing program of special benefits for foreign residents and retirees you'll find anywhere in the world today.

As a qualified pensionado/retiree, you will be entitled to significant discounts off the already mercifully low costs of living in Panama, including: 50% off entertainment anywhere in the country; 30% off bus, boat, and train fares; 25% off airline tickets; 50% off hotel stays (Monday through Thursday); 25% off restaurants; 10% off prescription medicines; 20% off doctor's consultations; 15% off dental and eye exams; 20% off professional and technical services; 50%

off closing costs for home loans and more.



The visa process is also very simple. It's a one-time application. There are no renewals and no additional fees. Other residency programs require you to file a renewal each year. This involves time, hassle and mandatory additional fees. In Panama you can apply today for no more than a few thousand dollars and have residency for life. Your visa only takes about a month. It's fast. It's affordable. It's easy.

Panama is truly one of the best--if not the best--residency deals in the world today. For the price the benefits are incomparable. Not to mention the extraordinary opportunity to be a pioneer in this decade's great retirement haven. We expect property prices to continue their rapid climb here as they did in Costa Rica when they introduced their famed Pensionado Program. It is a great chance to get in on the ground floor at an incredibly low price on what we believe to be the number one retirement haven of the decade.

RIO is currently investigating this opportunity further with personal on site during December 2003. We are also looking at a property package for those interested. For more on this please email us.



William Gray



CARIBBEAN PROPERTY AT LESS THAN YOU MIGHT THINK! BUY BAHAMAS



When the Bahamas decided early on to comply with the OECD's wishes to share tax information, several banks and trust companies immediately closed up shop and left. This caused an exodus of both people and money from the banks - and many clients who had set up residence in the Bahamas went with them. (Just to be clear, this exchange of tax and account information is not currently underway. The Bahamas only changed banking laws to accommodate the possibility of such an exchange. They have agreed to implement changes only when the rules are accepted by - and applied to - all OECD member countries and tax havens).

As a result, there was a glut in the condo market, since many temporary residents who were offshore banking clients had purchased condos and then rented them out much of the year. I spoke with one Bahamian condo owner who used to enjoy a good occupancy rate at \$1,500 per month. Now he has to lower the rent to \$900 to get a tenant. This drop in rental prices was followed by a drop in sales prices.

Right now, for example, a nice semi-furnished one-bedroom, one-bath ranch-style condo in Nassau East costs \$73,000. A one-bedroom condo in Nassau's famous Cable Beach (but not on the beach), lists for \$99,000. And a fully-furnished two-bedroom townhouse in a gated community with a pool off Village Road costs \$125,000.

Havens In the Caribbean

Marigot Bay on the sheltered west coast of St. Lucia is the setting for an exclusive marina resort with buy-to let properties for sale to investors, second-home buyers and yachting enthusiasts.

International yachtsman John Verity and his wife, Judith sold their house in England and their Caribbean charter yacht, and assembled the venture capital to fund a £13 million marina development on the site of the former Hurricane Hole Hotel.

When building work gets under way in June, the crumbling hotel built in the 1950s by Walter Boudreau, an eccentric French-Canadian who believed that the bay was full of sunken gold bullion, will be refurbished and converted into a five-star apartment hotel set in more than seven acres of lush

tropical gardens. In addition, 52 luxurious apartments with views overlooking the bay are being built in the grounds and offered for sale at prices that range from US\$370,000 for two bedrooms to US\$511,500 for a three-bedroom duplex. These will be added to the lettings pool and the net profit shared between apartment owner and the hotel on a 50-50 basis, with the hotel solely responsible for all management, maintenance and security costs. The owners will be entitled to six or seven weeks free personal use of their apartments annually.

Also under construction is the first phase of development at the 750-acre Tobago Plantations resort in the south-western corner of this idyllic tropical island, whose rain-forest shelters some 400 species of exotic birds. Described as Tobago's 'first-ever master-planned beach and golf resort', the project is an impressive \$80m joint venture between Trinidad's corporate giants Angostura and Guardian Holdings - with the participation of the Trinidadian government and the Hilton hotel group, whose showpiece 200-room beach front hotel is already up and running.

Most of the grand villas lining the seashore are owned by oil-rich Trinidadians, for whom crime and hurricane-free Tobago has traditionally been their exclusive holiday island. In recent years, however, fluctuations in the international oil market have opened official eyes to the benefits of residential tourism, although residence for foreign nationals is still limited to 90 days a year. However, foreign owners can count on an income from their investment in their absence by letting their properties through the resort's established holiday rentals programme.

Apartments priced from US\$230,000 upwards; a house with a plunge pool in one of the 'Villa Clusters' scattered round the resort, where prices range from US\$235,000 for two bedrooms to US\$425,000 for three bedrooms; or a custom-built villa in one of six designs on one of a number of large plots; lot prices vary from US\$246,500 to US\$440,700 depending on size and location, and the construction costs from US\$373,700 up to US\$583,100.

Interested? We are currently putting together an investment package with holdings here. E-mail us on therioclub@cbn.net.id for details.



Another Step Backwards Supersonic Slowdown



With Concorde's retirement on this year's calendar, executives will have to find alternatives if they are looking to make a fast transatlantic trip.

Aviation takes a backward step at the end of October when British Airways retires its supersonic Concorde planes. It means that crossing the Atlantic will become slower, not faster. That's something that's never happened before in the history of flight.

Concorde customers, who could cross the Atlantic in 3hrs, must now allow a working day. They may also suffer more from jet lag and all the misery of red-eye overnight flights.

BA says that, after 27 years of service, throughout which time it carried 2.5 million passengers on 50,000 flights, today's corporate belt-tightening has made Concorde no longer viable.

But the £8,294 price of a return ticket to New York isn't the sole reason for Concorde's demise.

It seems the writing was on the wall even before the fatal Air France crash outside Paris Charles de Gaulle in July 2000.

Originally Concorde served Washington DC, Bahrain, Singapore, Dakar, Mexico City and Rio de Janeiro. But these routes have been abandoned over the years. And after the Paris accident BA halved the number of daily New York flights from two to one so customers no longer had a choice of early and later services.

In recent years, private jets have become a more serious challenger and Bombardier Aerospace, creators of the Learjet, is now building the fastest private jet, the Global 5000, capable of Paris-New York in six hours. Until it is available in 18 months time, no executive jet can compete on speed, but heightened security and delays at major airports have raised the appeal of taking your own plane from smaller airports.

Concorde dates back to the Sixties and reflects the standards of that era. On board space is at a premium. Concorde's seats are little better than those in economy class with only 38 inches of legroom. Only the fine leather upholstery sets them apart. Inferior cabin noise and air-conditioning are also Concorde realities. The single aisle is very narrow and there are no movies. Those facts

plus the excitement of the flight makes it difficult to relax and work.

The executive aviation companies hope to capitalise on these drawbacks especially as chartering your own jet is now cheaper, thanks to part-ownership or being able to pay for a certain number of hours instead of buying a jet outright.

Travelers who have never flown supersonic before return awed by the experience. Not only is the service second to none but Concorde races down the runway at 250mph (40% faster than a subsonic plane), cruises at 1,350mph (twice the speed of sound) and at a height of 60,000 feet. At that height you are flying on the edge of space and it's possible to see the curvature of the earth. The first thing you notice is the take-off. Concorde feels more like a fighter jet than a conventional plane. The whole experience is wonderful. There are three types of traveler; regulars, those who still get excited and the grumpy ones. But most of the passengers on my September flight fell into the second category. Personally, I will miss this service! Its yet another step backwards!





Is Japan's resurgence for real?



Suddenly the Japanese economy and its stock market are hot. Since April, the Nikkei 225 stock index has jumped more than 35%, to about 10,300, making it one of the world's best performers so far this year. Foreign investors have rushed in, becoming net buyers of Japanese stocks for 22 consecutive weeks through mid-September, pumping just under \$48 billion into the market since May. It has been such a dramatic change in investor psychology. But considering Japan's history of false-start recoveries over the past decade, the nagging question remains. Is this rebound for real? What has turned the industries world's chronic underachiever into every body's favorite comeback story is a stream of unexpectedly sunny economic news. The government's recent announcement that Japan's economy grew at a sprightly-annualized rate of 3.9% in the second quarter of this year. Not only was that far greater than the already healthy 2.4% annualized rate previously forecast, but it was also the fastest growth rate during that quarter for any of the world's major industrialized economies.

There are other signs that Japan's economic fog is lifting. Despite their reputation for chronic unpredictability, the country's major listed companies posted a combined total annual income if fiscal 2002 that was 20% higher than in the previous record year of 1990, according to Merrill Lynch. Meanwhile, periodic routine government updates on key indicators, such as job growth, wage growth, executive sentiment and capital investment, have all revealed significant improvements. And most recently, the International Monetary Fund has joined the party, revising its projected 2003 economic-growth rate for Japan from 0.8% to 2.0% while downgrading the Eurozone's rate from 1.1% to 0.5%. Not too long ago, Japan was considered at risk of dragging the rest of the world into recession. Now, along with the U.S. it has become one of the industrialized world's best bets for expansion for the rest of this year, if not beyond.

All this has prompted a host of foreign and domestic observers to conclude as many have during every uptick since the early 1990s that Japan's decisive economic turnaround has finally begun. Merrill Lynch's chief Japan economist, Jesper Koll, has gone so far as to declare in the Daily Yomiuri newspaper that the economy has reached an "inflection point." "Make no mistake," he asserts, "Japan is back."

Even the most sceptical investors – ordinary Japanese – appear to believe the tide has turned, egged on by investment banks, such as Morgan Stanley and Goldman Sachs, that are counseling clients to continue to load up on Japanese stocks.

Although Japan Inc. is no doubt making progress on some structural-reform initiatives and investors are enjoying a respite from gloom and doom, many doubt whether all the ingredients are in place for a genuine, lasting recovery. "The weakness in the preceding year was hard to explain," says Richard Jerram, chief economist at ING in Tokyo, "but a lot of people are trying to make this [rally] into something it isn't." Scratch beneath the surface on some of the headline-making numbers and Japan's mini-miracle quickly starts to look a bit contrived – many of those who have scrutinized the governments economic growth estimates don't actually believe them.

Many Japan bulls declare that even if the estimates are off, at least the quality of Japan's recent growth is higher, because it stems more from domestic demand and new business investment than from the wasteful public spending projects used in the past to prime the country's economic pumps. Even so, a larger concern remains: Japan's continued over-reliance on the export sector, which has been propped up by the Japanese government's massive and unprecedented foreign-exchange interventions designed to keep the Yen weak. A weak Yen make Japanese products cheaper and therefore more competitive abroad. The Yen's relationship to the Dollar is particularly important, because the US is a primary customer base for heavyweight Japanese companies such as Sony and Toyota. Under former Finance Minister Shiokawa, the government spent in just the first 8 months of the year the unprecedented equivalent of \$110 billion to buy Dollars on the open market, in an attempt to keep the Yen from climbing against a weakening greenback.

It's uncertain that Japan can continue to prop up its exporters through currency intervention. Immediately after the G-7 meeting, the Yen appreciated to 111 per Dollar; its strongest level in nearly three years. Since 115 Yen per Dollar, a much weaker level, was widely assumed to be Shiokawa's target, currency traders are now waiting for Tanigaki, the new Finance Minister, to show his hand.

Although he has already said that exchange rates "should stably reflect fundamentals" and that he would "take action to make that happens," Tanigaki, hasn't yet demonstrated how much, if at all, he will allow the Yen to rise.

Few envy the delicate tasks Tanigaki faces. On one hand, he must make some attempt to soothe the concerns of other industrialised nations and to demonstrate that Japan is committed to free trade. On the other, exchange rates have a direct and measurable impact on exporters – and Japan's recovery is still fragile. Credit Suisse First Boston estimates that every 10% appreciation in the Yen could cut recurring profits in the manufacturing sector by 10% and replace annual GDP growth by nearly a third of a percentage point.

That Japan must play this currency game at all suggests that the country's economy is still in disarray and that the growth a weak-Yen policy has helped to produce does not provide the foundation of a lasting revival.

Deflation persists, public debt still totals a daunting 140% of GDP and unemployment remains relatively high. Indeed, despite frequent claims that structural reform is finally taking hold, Japan Inc. overall is not getting measurably more efficient. Many companies have successfully cleared out excess debt, labour and capacity by cutting costs and streamlining operations. That's good news but is less significant for the economy as a whole.



Member's Letters

"Take the currency advantage"

Finally, A Hassle-Free Way To Start Saving Money On Every Currency Exchange Transaction... Guaranteed!

As expatriates we all have need of currency exchange transactions, and some of us need to transfer substantial sums of money from one currency to another and between countries. Have you ever considered how much this costs you? I hadn't really understood the cost of these transactions until recently. Back in July I had a need to transfer US\$20,000 to my Sterling Based account offshore British Isles. Just out of interest I logged on to my favourite web site on the internet XE.com whom I have used for years for getting a good idea of exchange rates. XE.com are a Canadian currency trading house providing services to customers in the US and Canada and also globally. Find out more by logging on to <http://www.xe.com>. Whilst browsing their site I noticed that they were offering a new service called XEtrade. XEtrade enables businesses and individuals to buy, sell, send, receive and track currency transactions.

I read through their sales information carefully and could see no problems so signed up to become a customer. This was a simple process and 3 days later received all my Authorised user names and PIN numbers. I won't bore you with the details of how the trades work, as you can get this information from their website (<http://www.XE.com/tx>).

However, I shall share with you an example of the savings you can make on transactions. On the day I decided to trade I found out the exchange rates being offered by my bank here in Indonesia from USD to GBP. I also called my bank offshore and asked for their rates for USD to GBP, as I had several options open for getting the USD I held in Indonesia into GBP offshore UK.

The rate offered to me by my bank here in Jakarta was USD 1.67 to GBP 1 plus a transaction

charge of 1% plus a Telegraphic Transfer fee of USD50. This meant that my US\$20,000 converted at the bank rate and minus all charges would have been GBP 11,827.

The rate offered by my offshore UK Bank was USD 1.65 to GBP 1, plus a transaction charge of 1.25% and I would still have to pay the USD50 TT Fee from the sending bank in Indonesia. This equated to my original USD 20,000 being converted to GBP 12,090 an improvement but still at quite some cost.

I logged on to XE.com and found their mid-market rate was USD 1.57 and by the time I had logged on to their trading page that the rate had dipped to USD 1.56 to GBP 1. I immediately booked the trade at that rate. The next day my USD 20,000 departed Indonesia for Canada. Minus a TT Fee of USD 50 which is the standard charge from my bank. 3 days later XEtrade deposited in my offshore UK Bank account the sum of GBP 12,774. This was USD 19,950 (\$20,000 - \$50 TT charge) converted at USD 1.56, minus their TT charge of GBP 14 to transfer the money from Canada to my bank account.

Overall the saving I made by trading on the Internet rather than just accepting the crazy bank rates and charges was (12,774 - 11,827) GBP 947!!!!!!!!!!!!!!

I was, and still am, delighted with the service these folk have given me and decided that it was time the RIO Club members were informed of the savings that are possible by taking foreign exchange matters into your own hands. Give it a try, I don't think you'll be disappointed.

Nick Fisher

FOUR YEARS IN THE CLUB SO FAR SO GOOD

I have been a member of the RIO Club for four years and I initially invested £150,000 in their property scheme, four years later at maturity the investment had grown to £222,000 not bad for no risk to capital. In fact the reason I write this note is that this investment has been the best performing of all my holdings with a profit of £72,000 in 4 years (or £18,000 growth per year) and I must say I am happy with the result. My wife was not to keen on this in the beginning, but she has changed her mind now! We used the profit to pay off our UK mortgage and have returned to the UK debt free.

Martin Williams

We feature both sides of the coin

Member Regrets Missing Out.

Almost two years ago I looked at your advice to invest in gold when the February issue of R.I.O Club news reported "gold to shine again". I was a bit doubtful and gave it a pass, however, I must give credit where credit is due, you were right Bill and I missed out!

Neil Watson

Gold shines for member! "Well done"

I am glad I took your investment advice "gold to shine again" and bought as I am up +48% on my holdings since I took your advice. I am happy to be in this position especially with your articles of doom and gloom and the weakness of the US Dollar.

Philip Ritchie

RIO's advice put's member in the fast lane

When I first invested in the RIO Property Group Ltd. in 1997 I had my reservations; It seemed to be too good to be true. Interest rates were very low and RIO were offering a guarantee of capital with 12% pa fixed return. Well it certainly has profited me and I have treated myself by buying a car with the profit as you can see from the photo. Thanks guys well done. If not for you I may be running around the UK in a LADA!!!

David Carrington



Support Acknowledged – Credit where credit is due

As Chieftain of the St. Andrews Society it gives me great pleasure to acknowledge the huge support that the RIO Club has provided year after year.

Whether it is the Highland Gathering, the Ball or Scotland in Concert we can always count on RIO. They have again pledged support for the forthcoming Ball in November - speaking of which, tickets will be on sale (to society members and their guests only) as from 1st November on a first come first served basis - so book early to avoid disappointment.

With renewed thanks to RIO for their loyalty and support.

Mark Manderson

Chieftain, St. Andrews Society

The RIO Group – A Formidable Force

This year RIO has increased its membership by over 10% whilst also expanding its product range. Both the RIO TLP Fund, with its attractive fixed returns and the RIO Options Account for our high risk investors, have been well received.

Despite expansion our cost base and promise to you remains the same. We have never, since inception, increased our management fee whereas many institutions have been forced and are being forced by market conditions to increase their fees.

An interesting development within the industry which should be of concern to investors is that some very large Life Groups have faced severe losses, in fact 9 Life Groups are among the top 75 money losers in the Global 500!! The company which was selected by the club to house our managed equity funds, Hansard International Limited, is not one of these. It is no coincidence that RIO associates with successful entities, recognizing, as we do, companies with good corporate governance before even considering an association.

This year also saw the maturity of the RIO Property Group share certificates with their guarantee of capital and fixed returns in Sterling. It can be said that this investment formed the bedrock of many members portfolios over the 5 year period, with many realising returns in excess of 50% in one of the worst markets in six decades.

William Gray



*As this is the last issue of the RIO Club
Newsletter this year may we be the first to wish
you a Merry Christmas and also a very happy
and prosperous New Year.*



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