



The Fund benefits from the additional acquisitions in Gold and Silver during May this year and my prediction of a September rally in these metals is now set in stone.

Before I comment on the benefit of holding Gold and Silver as part of this Fund asset class, members may have noticed that the Fund gained 1.2% in July when both these commodities remained subdued. The important thing to remember is although I often comment on the Funds active trading of Gold and Silver, the Fund also continues to benefit from its historic asset allocation as it has been diversified since inception.

For example; the current holdings in Silver and Gold represent 17.88% of the total asset allocation. Active trading in Gold and latterly Silver has been one reason why the Fund has significantly outperformed its benchmark return of 12% per annum, over the past three years. Historically the Fund has held almost 50% of its assets in fixed returns, the fixed return assets remain equally important to the makeup of the Fund as being low risk they offer a degree of stability to the Fund.

In previous reports I have highlighted the fact that Gold and Silver would likely see a strong rally emerge in September. Accordingly, I positioned several new trades for the RIO Professional Investors Fund during May this year. The rally began a few days earlier than I had forecasted as precious metals secured August gains of 4.5% for Gold and 12.6% for Silver.

Facts show that Gold has moved to a five-month high, very close to the \$1,690 an ounce, which remains the first profit taking level for the Fund and I expect to close this position this month. More importantly the repositioning executed by myself during May, reducing the Funds weighting in Gold and increasing exposure to Silver, has produced the desired result as Silver surged over 12% an ounce. This benefited RIO Professional Investors Fund as it posted yet another positive month in August. Members may recall that I highlighted the investment opportunity in Silver in several special reports earlier this year. My sell position for Silver within the Fund remains set at \$32 ounce and should be triggered this month. Should my forecast be correct the Fund will close 50% of its current position in Silver.

During my business trip to the UK in August I kept a close watch on these markets as precious metals gyrated though the latter half of August to stimulus-related news out of the US. However, it was not until Friday, 31st August that the tipping point was reached when US stocks and commodities initially dipped following a speech by Fed Chairman Ben Bernanke in Jackson Hole. They then rebounded as his remarks were interpreted bullishly with stimulus bets heightened.

“The stagnation of the US labor market in particular is a grave concern because persistently high levels of unemployment will cause structural damage to the US economy that could last for many years”, remarked Bernanke on Friday at the annual meeting of central bankers.

There are many traders who feel that the main catalyst for the reversal in Gold has been because Bernanke used the words ‘grave concern’ and the interpretation is that there will be more QE.

Markets are closed today, but when they open on Tuesday we will see bullion dealers and investors become bullish for Gold this week. Hence I reiterate that I am almost certain that I will be able to close 50% of the Fund’s position in both Gold and Silver in the next few days realising significant gains in doing so. Members invested in this fund should note that since the Fund is valued on a

monthly basis these gains, if realised, will be reflected in September's performance figures when the Fund is valued on 30th of September. Positions taken in May coupled with the upcoming US elections will present several active trading opportunities which means that the Fund is well placed and I am confident that October will also see the Fund produce positive results exceeding its bench mark return yet again.

There are many reasons why Gold and Silver could move higher, some of which will feature in my next report. However I sell because, Gold needs to breach an important hurdle first, ie the \$1,700 barrier. Should that happen this month, this will inevitably result in further gains in this commodity. As for Silver, the high in April of \$33 an ounce is the stumbling block, hence my selling target of \$32. Should Silver cross this point it will also rally further after I predict some profit taking.

It should also be noted that any rumour of further quantitative easing from the US will push Gold higher which will see Silver rise also. That said, I will take profits for the Fund as planned at \$1,690, ahead of the \$1,700 marker as always I prefer to be a trader taking profits than one missing an opportunity to realise gains. Don't forget that this is the first barrier that this commodity must breach. There should be a pause and a correction as others follow suit and the market encounters some profit-taking after the rally of the past two weeks.

I will be writing further on Gold and Silver this week and releasing further investment reports, having just returned from my annual leave in Europe and business trip to UK.

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