Investment Report

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Massive plunge in Northern Rock shares - RIO Professional Investors Fund benefits.

Shares in one of the UK's largest mortgage lenders; Northern Rock were hit heavily by the sub-prime crisis as most investors know from massive media coverage of this event. However bad news is always good news if you know how to use it, and RIO secured a total gain of +14.9% on these two consecutive trades in the above stock. This helped the Fund end November up 4.42% on October's figures.

The Fund recently completed its research into several potential stocks and will action selected trades within these when the strike price is achieved.

What about Uranium another asset class held by the Professional Investors Fund

The weight of money behind the uranium market is reminiscent of the era when some resources companies reinvented themselves during the technology boom towards the end of the 1990s. In this kind of environment, it pays to do your homework.

In Australia, new uranium floats have been coming in thick and fast to a stock exchange already skewed towards the smaller end of the market. Dedicated uranium explorers that have seen a second birthday are looking almost mature! Out of the 25 local and foreign explorers that RIO Professional Investors Fund has investigated, seven of the local outfits have been listed on the ASX for 12 months or less.

It is worth noting that companies appearing quite mature may still be relative newcomers to the world of uranium. For example, Deep Yellow incorporated in 1985, began life as a gold player called Julia Mines. The company only picked up its first uranium projects in late 2004, after a short period of external administration and a shareholders' decision to recapitalise the company.

Something else to be aware of is that a few of the companies are only peripherally involved in Queensland uranium and seem to be sprinkling in references to uranium prospectively for good measure. For instance, the recent ASX inductee Superior Resources says it is primarily searching for large copper and lead-zinc-silver deposits of the Mount Isa style. However, uranium exploration will be carried out where significant potential for the discovery of uranium exists within these tenements. Furthermore, minnow multi-commodity explorer ActivEX is an example of how uranium is sometimes tacked onto the end of companies' project descriptions, making it look like an after-thought. At Westwood, the company has recently been granted an EPM contract covering several areas of known mineralisation including gold at Fred Creek and platinoids at Westwood. In addition, the area has potential for uranium mineralisation with several radiometric anomalies requiring investigation. Unfortunately, the potential for Westwood uranium is looking less assured now after ActivEX reported that initial sample results had been disappointing.

Amid the current hype, it cannot hurt to take claims of extensive uranium experience with a grain of salt. If that experience was gained in Australia, it could very well be a couple of decades old (that's how long it has been since the last uranium boom in the country), or a claim could simply be the result of laboratory- or desk-based studies.

RIO's research has highlighted the fact that the uranium sector suffers from a low knowledge level and a thin skill-base, from exploration geologists through to process engineers. The recent correction in uranium prices was just as RIO predicted some months ago. Fortunately we adjusted fund weightings accordingly, although there is still a significant upside to the Uranium story.

Wealthy foreigners face tax crackdown

Many wealthy foreigners living in Britain face the possibility of paying billions of pounds in capital gains tax on UK-based assets, under far-reaching legislation being drawn up by the Treasury.

The move has sent shockwaves through the wealth management industry, which says the measures could undermine the London art market, drive much of the private equity industry abroad and trigger the sale of property and UK shares worth billions of pounds.

The scale of the Treasury's ambition to crack down on offshore trusts that allow "non-domiciled" residents to escape tax on their UK investments has emerged during meetings between senior officials and professional institutes. The planned measures will mean about 15,000 of the wealthiest non-domiciled will face much larger tax bills than the £30,000 fee unveiled last month for those wishing to keep offshore income and gains out of the tax net.

The Chartered Institute of Taxation has warned the Treasury that the measures would have "a profound impact on the housing and art markets in London as well as its pre-eminence as a financial centre."

The Treasury's apparent determination to close loopholes on CGT follows the row this year over the minimum tax bills paid by the non-domiciled, particularly in private equity. Fierce criticism of the perceived unfairness of the existing regime helped overcome the government's reluctance to risk alienating the non-domiciled, philanthropists and political donors.

RIO feels that the Treasury has underestimated the impact of the measures. The Society of Trust and Estate Practitioners, which represents advisers, is calling for "considered economic assessment before radical changes are introduced and London is damaged".

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