

2nd June 2008

RIO Professional Investors Fund

The trading system currently utilised was designed in-house by RIO to benefit from the volatile markets we are currently witnessing and as such the Fund continues its upward trend, gaining 17.14% since January 08. The Fund's target return was set at 15% per annum in January 08; however, this target return has been surpassed in the first five months of trading. There is not a better time to make money in these volatile markets, which continue to favour my active trading. Trades positioned during April allowed RIO Professional Investors Fund to gain a further 6.49% in 4 weeks. More importantly all trades were closed in profit and moved back into cash with new positions posted during May.

Negative Sentiment in the US Market

Negative sentiment now prevails within the investment industry, a classic contrarian indicator. A recent poll of the American association of Individual Investors had a reading of 59% bears. The Investors' Intelligence survey of investment newsletters recently found that 44% were bearish, up from 31% only a short time ago. Last month the number of bulls fell to 31%, the lowest since the last bear market ended in October 2002. This is also the first time bears have outnumbered bulls since October 2002.

How about the Liquidity being pumped globally into markets?

We have seen not only massive amounts of liquidity pumped into the system by Federal Reserve banks across the globe, but also creative ideas for credit enhancement and the use of collateral to free up capacity that banks need to restart lending. Research indicates that sentiment may deteriorate, but it will not sink much lower and should stabilize by September this year. Sentiment is a powerful force in markets even though we would wish they were more rational.

However has the Bailout come to an End?

Various Federal Reserve officials continue to issue commentary suggesting that they will leave rates steady at their next meeting in June. Indeed, Fed Chairman Bernanke put the pressure on financial institutions to continue raising capital, signaling that they may no longer be receiving help from the Central bank.

Recent comments by Ben Bernanke, Federal Reserve Chairman

“Recent events have also demonstrated the importance of generous capital cushions for protecting against adverse conditions in financial and credit markets. Importantly, capital raising and balance sheet repair allow for the extension of new credit, which supports economic expansion. I strongly urge financial institutions to remain proactive in their capital-raising efforts. Doing so not only helps the broader economy but positions firms to take advantage of new profit opportunities as conditions in the financial markets and the economy improve.” – May 15, 2008

As I mentioned at the beginning RIO Professional Investors Fund will fair well through this volatile period May has been yet another active month of trading as this Fund adds another positive month to its track record. I have decided to close all trading positions posted during May as 100% of the trades were profitable; all profits have been taken and moved back to cash ready for repositioning though June. As the Fund will continue to outperform as markets continue to see volatility though the next few weeks. I have identified several trading opportunities already from market research carried out last week and I will be repositioning the fund during June. The market witnessed in the US today is one of the most volatile as I've ever seen since I started trading over twenty years ago.

William Gray

Executive Chairman

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