RIO PROFESSIONAL INVESTORS' FUND

12th October 2009

This Fund has risen 22.75% in the past six months, and some of this development is due to the Fund's holdings in Gold.

The Fund's Sterling based assets have performed poorly in Dollar terms, but we still feel that Sterling is under-valued against the US Dollar in the longer term. We expect the Dollar to soften against Sterling at the beginning of next year.

The Fund increased its exposure to non US Dollar based assets as we feel that this currency is likely to come under pressure before year-end. It may be interesting to point out that the fund has averaged 1.22% per month in the past nine months in its currency trades.

My predictions on gold appreciation have been proven correct. Last week gold touched a new record - $1,050 - even as the US Dollar rose, and oil slumped to under $70 with stocks dipping very slightly.

However, this should be expected? The United States has added $1 trillion to its monetary base in the last year or so. The federal government is running a deficit of $1.7 trillion this year and along comes Barack Obama with an idea to stimulate employment - spend more money! This time, Obama's plan is a kind of 'Cash for Workers' program, in which businesses get a tax credit for hiring new employees.

Gold investors must think the new program will be the opportunity they've been waiting for. Government has introduced many costly new initiatives. But for how long can this be supported?

Reasons for gold appreciation

It is important to note that there is an acute lack of gold comprehension which is evident on a global basis. The entire financial system is bonded to 'toxic' paper. Sometimes it seems, however, that so-called experts, industry analysts, and network anchors have absolutely no idea why gold has risen above the $1000 level. They are blind to the paradigm shift away from the US Dollar and cannot admit that the deterioration of the global monetary system, which I have been predicting for some time, may be already in play. This is because their jobs might require them to ignore such catastrophic events, or they might have spent their entire careers inside the US$ Greenhouse and are unable to see from an external perspective. **It will be interesting to observe how long the 'SYSTEM' remains ignorant of the massive changes taking place.** Many so-called experts seem to ignore the staggering amount of flat money being created without basis. This appears unbelievable!

I still stand by my prediction. We shall see eventually the complete overturn of the US Dollar global financial system, perhaps sooner rather than later. This is an irreversible process that is already one year down the road.

Accordingly, I have increased the Fund's exposure to Gold Bullion and will continue to buy when opportunity allows increasing fund allocation to this asset. I plan to increase allocation till 45% of Fund holdings are based in this commodity.

In summary, why has gold appreciated?

1. There is a paradigm shift away from an US$ centric world, manifested as a global revolt against the US$ in reserves management and transaction settlement, extended from bank structures. Gold seems to be behaving like the ultimate currency.
2. This has been because of the colossal irresponsibility of major central banks with expanded balance sheets, money creation, and credit growth, endorsing their government profligacy.
3. What about the failure of the central bank franchise model, exhibited by the ongoing credit crisis, insolvency of banks, and desperate attempt by the US Federal Reserve to serve as the global bank?
4. Perhaps it is the ruined global monetary system from the misuse of money itself.
5. Perhaps it is the expectation of mammoth price inflation just over the approaching horizon, unless the central bank balance sheets inflate beyond measurement, in Weimar style.
6. There is also the possibility of radical changes to the banking system in at least the United States.
7. Or the possibility of gradual economic disintegration and the decline of global trade?
8. The trend toward commodity stockpiles, of which gold is the core financial commodity and crude oil is the core industrial commodity.
9. Finally, there is speculation on numerous pockets of armed conflict and possible nuclear events.

Profile on gold performance over past 5 years

GOLD SUPPLY AND DEMAND							
(tons)	2004	2005	2006	2007	2008	2009F	2010F
Mine production	2,418	2,497	2,418	2,379	2,295	2,314	2,341
%-change	-5.4%	3.3%	-3.2%	-1.6%	-3.5%	0.8%	1.2%
Old gold scrap	880	900	1,129	977	1,146	1,225	1,170
Official sector sales	543	593	365	496	194	121	75
Total physical supply	**3,841**	**3,990**	**3,911**	**3,852**	**3,635**	**3,660**	**3,586**
%-change	**-6.0%**	**3.9%**	**-2.0%**	**-1.5%**	**-5.6%**	**0.7%**	**-2.0%**

Sector comments

Oct 6 (Bloomberg) - Gold rose to a record on speculation that inflation will accelerate and erode the value of the dollar, boosting the appeal of the precious metal for investors seeking to preserve their wealth.

The spot price headed for a ninth straight annual gain, the longest rally since at least 1948. The dollar dropped as much as 0.6 percent against a basket of six currencies.

“Gold is acting like the ultimate currency”, said Chip Hanlon, president of Delta Global Advisors Inc. “Central banks are following the same monetary course and trying to stimulate and inflate their way back to growth. Everyone’s concerned about the dollar, but it’s not like you can hate the dollar and fall in love with the euro or the yen.”

Why invest in RIO Professional Investors Fund?

Features of the Fund

- 100% direct exposure to physical gold bullion price
- This fund offers portfolio diversification
- Monthly liquidity, available in $USD

Fund performance

1. The fund has increased its exposure to gold, which provides an insurance in your portfolio against the effects of economic and geopolitical uncertainty.
2. In the extreme market turmoil of 2008, when there was substantial declines in nearly all asset classes gold provided a positive return
3. History shows that real assets outperformed financial assets in the 1970s. Given the current economic climate, it is expected that this will be the case for years to come. History repeats itself!
4. Given the substantial increase in money supply, currently running at an annualized 40%, inflation is inevitable. Gold is the hedge against inflation.

   We may see gold back on the menu as governments struggling to find a solution to current financial crises will cause the prices to go even higher.

Below are more reasons to consider inward investment to RIO Professional Investors Fund

<u>China announcements</u>

China made three major announcements in the first week of September, each highly disruptive, enough to add thrust to the paradigm shift. **China has shaken the global system in three key ways announcing**:

1. the granting of permission for state owned firms to selectively dishonour OTC derivative contracts by means of self-administered Stop-Losses in renege situations.
2. from Hong Kong demanding the return of its gold bullion held in custodial accounts held in London, to its own airport vault facility (the Zurich Switzerland model)
3. that Mongolian rare earth metals will no longer be exported to the West, an assault against hybrid cars, certain electronics, and military weapons (missiles).

The implications are enormous. The OTC abrogated contracts for crude oil and metal contracts, ripe with corruption and entirely unregulated, could seriously hurt Goldman Sachs and JPMorgan. The demand for Hong Kong gold is more a symbolic threat, adding thrust to what already has begun. Germany, Switzerland, and the United Arab Emirates have demanded a return of their gold from US and UK storage locations, the corrupt centers where the gold was routinely leased illicitly. The trend puts considerable pressure on the COMEX, which could be deeply affected from lack of underlying metal, as its corruption would be exposed and shorting without collateral backfire. Neither the US Government nor the US Military have accumulated stockpiles in rare earth metals, which exposes a clear lack of foresight.

<u>Greenspan's recent comments</u>

Speaking via teleconference to the Antique India Markets Conference in Mumbai, Greenspan warned about inadequate bank capital.

At a US-based economics conference, **Greenspan admitted that the gold price gains are strictly a monetary phenomenon**, which should very greatly concern any central banker. He believes that rising prices of precious metals and other commodities represent **an early move to avoid paper currencies**. He now seems to agree with comments made by RIO over two years ago when it was predicted that governments would move back into gold. This may well happen!

<u>Saudi Banks are heading into troubled waters</u>

Saudi banks are wobbling, soon to cause deep ripples across the globe. Meanwhile, the threat against theSaudi royals has increased. The Saudi Arabian central bank announced it will not purchase the debts from two family businesses after a major default. The Saudi Arabian Monetary Agency will not cover the debt from Ahmad Hamad Algosaibi & Brothers and Maan al-Sanea's Saad Group. The debt is owed to local banks. Units of the two groups have borrowed at least $15.7 billion from more than 80 regional and international banks. About $5 billion of that is owed to Saudi banks, Standard Chartered stated in an August 26th report. On August 30th, a suicide bomber injured Saudi Prince Mohammed bin Nayef, son of the interior minister and nephew of King Abdullah. The incident took place in Jeddah, Saudi Arabia.

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