

RIO Professional Investors Fund

30 October 2011

A Government licensed Mutual Fund

No		1 Year	18 Months	2 Year
A	FTSE 100	-8,30%	-10,73%	1,60%
B	S&P 500	-1,29%	-3,96%	9,86%
C	DOW JONES	0,77%	-0,13%	14,77%
D	RIO PROFESSIONAL	15,40%	32,48%	59,30%

Recently, commodities and natural resource stocks have witnessed more than their share of volatility. Even Gold, in recent times the perceived safe haven for investors, took a nose dive falling over 12% from its highpoint. Some members may have thought that since the Professional Investors Fund regularly trades Gold, that it too would have seen some correction? The most important factor to note is that the Fund did not move in to negative territory. I had anticipated the market correction accurately as you might expect, and as such I closed all Gold positions in due time.

The correction which took a grip of this commodity began to rear its ugly head on the 6th September and didn't let up till 26th September when the trend reversed. Importantly I took advantage of the correction to reacquire this commodity for the Fund at a lower price having previously sold positions.

New York-based BlackRock Inc., the world's largest asset manager reported; Gold exchange-traded products received \$2 billion of net inflows in October, luring new money for a fifth month. Inflows were \$7.3 billion in the first 10 months and investors pulled money from most other commodity asset classes during October.

"We expect to see continued investor demand for Gold in the months ahead" because of economic uncertainty and the U.S. policy of keeping short-term rates near zero percent, said Kevin Feldman, a managing director at BlackRock.

Gold for immediate delivery gained 5.6 percent in October after slumping over 11 percent the previous month, the worst performance since 2008. Holdings in ETPs backed by the metal totaled 2,310 metric tons as of the end of October, the highest level since 22nd August according to data compiled by Bloomberg.

Most Mutual Fund managers have taken a severe beating from the market lately, I evaded any pain as I positioned the Fund correctly and was satisfied to seek a modest gain elsewhere rather than hold the positions previously placed in Gold.

For RIO it was business as usual during the market turmoil as the Fund again posted another positive month in September, although the gain of 0.833% was less than my targeted 1%. Members invested in this Fund may like to note that the performance came in lower than I had expected during September because I had expected/forecasted the BOJ intervention to weaken the Yen during September. Why? Because this currency had moved in to unsustainable position having strengthened from 81 in July to 75 by September.

As most members know I have been successfully trading Yen for more than ten years. During this time I have gained considerable experience and understanding of this market. I strongly believed that the trades posted in Yen by me in September would close the same month and with a reasonable

return due to the impending BOJ intervention. The intervention took place a month later than I had forecasted, but nonetheless there was a welcome result and all Yen trades closed in profit for the Fund. Need I mention that October outperformed its target return!

Historical statistics show that this Fund has continued to outperform the main markets over the past two years and table above highlights this fact. I would draw the reader's attention to the following; this outperformance is more significant when one studies the Fund asset allocation. The blistering performance has been achieved even though the Fund holds 49.01% of its assets in fixed interest. A closer examination reveals the fact that a further 13.62% is held in low risk term deposits, with 16.76% in cash for liquidity purposes, a total of **79.39% of current fund allocation is held in low risk**. These figures do change as it's an actively managed Fund, however, historical data would reflect the fact that the Fund has retained a high percentage of its asset class in a low risk position thought the two year period portrayed above.

The figures clearly depict that a maximum of just over 20% of the asset allocation has/is exposed to trading/risk at anytime, even so this Fund has resulted in positive returns which are **more than four times the returns achieved by an investment in the main markets** for the same period. The return is a result of a combination of detailed research and extremely active Fund management coupled with precision trading in both gold and currency markets (US Dollar/Sterling/Yen).

In my opinion we are living through some of the most remarkable historic change the world has seen. With the current US national debt now at \$14 trillion it's interesting to note that this equates to a year's worth of GDP.

So if things are bad, what should we do?

I remain bullish for precious metals, simply because I'm bearish on the prospects for the US Dollar and the Euro as Italy joins Greece in suffering serious financial woes. Long term, it's just a question of which one of these currencies will decline the most, and in what order. History shows that we are overdue a currency debasement!

The unrealistic structure of the Western Welfare States could well have come to an end, as will the currencies of these Welfare States if drastic action is not taken soon. But I'm inclined to think that the next financial revolution will bring competition to government-issued currencies. Currencies could be required to be backed by real assets such as Gold or Silver.

It may make perfect sense for those who have not benefited from investing in RIO Professional Investors Fund to consider an inward invest to this actively traded Fund.

During February 2002 I was buying Gold at \$286 per ounce and Silver for under \$4 per ounce and was advising members to do the same, a check of your historic e-mails confirms this fact. As demand and interest from my membership grew I then founded and licensed The RIO Professional Investors Fund, a professional mutual fund for those who prefer to have their holdings actively traded. Members invested in this Fund will know that it has performed very well to date.

William Gray
Fund Manager
RIO Professional Investors Fund