

RIO Professional Investors Fund

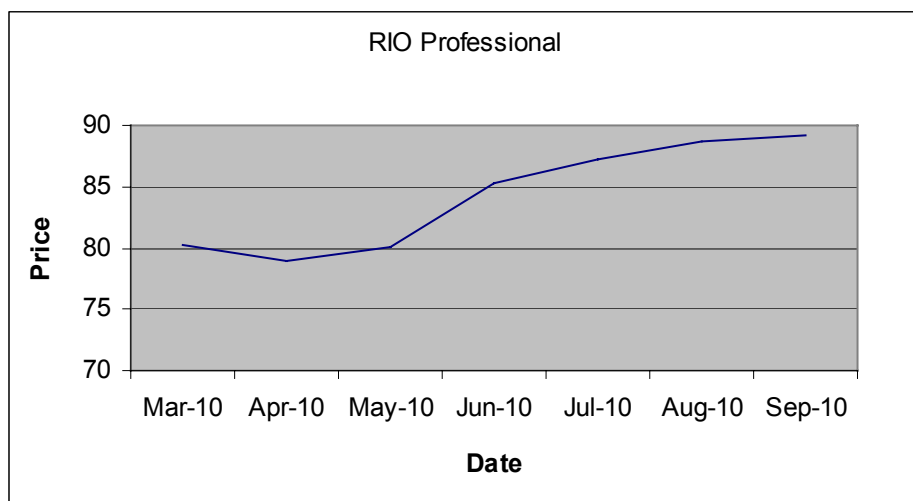
05 October 2010

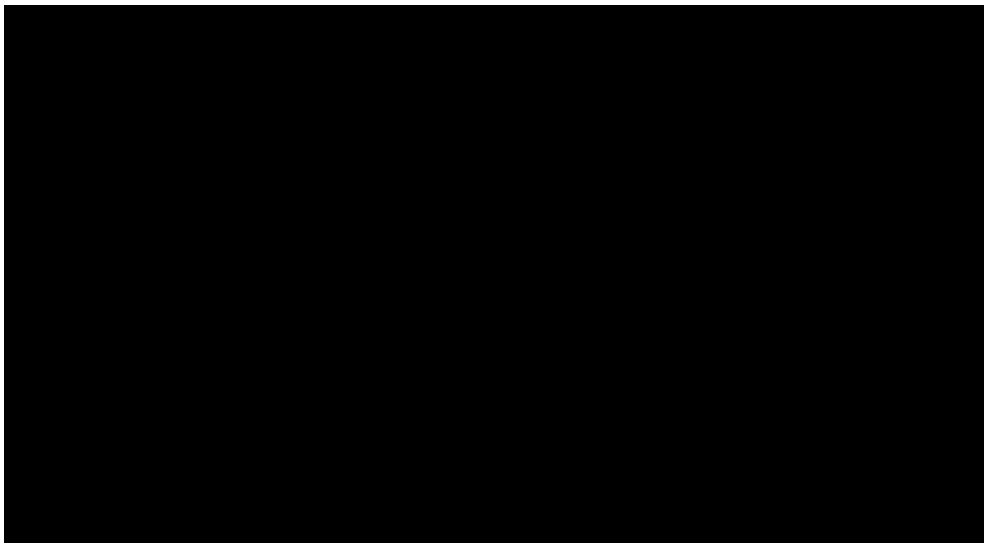
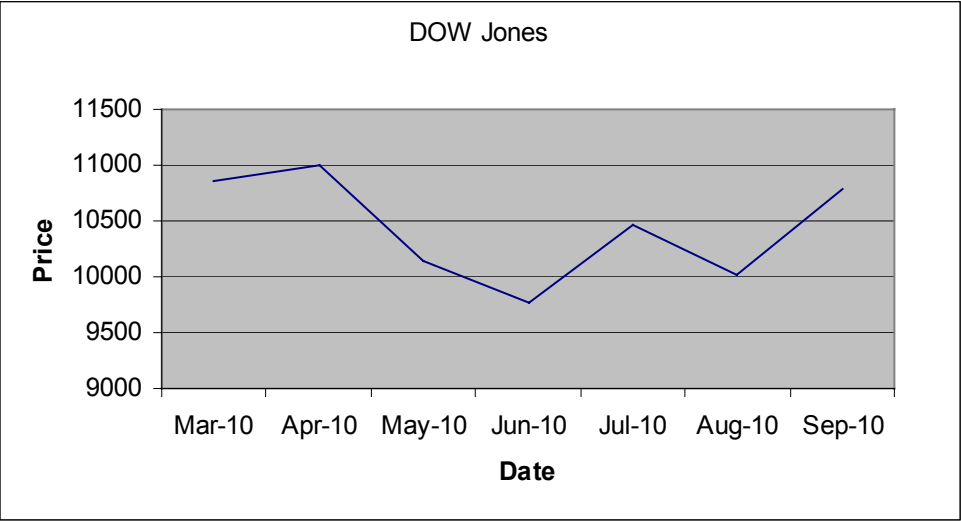
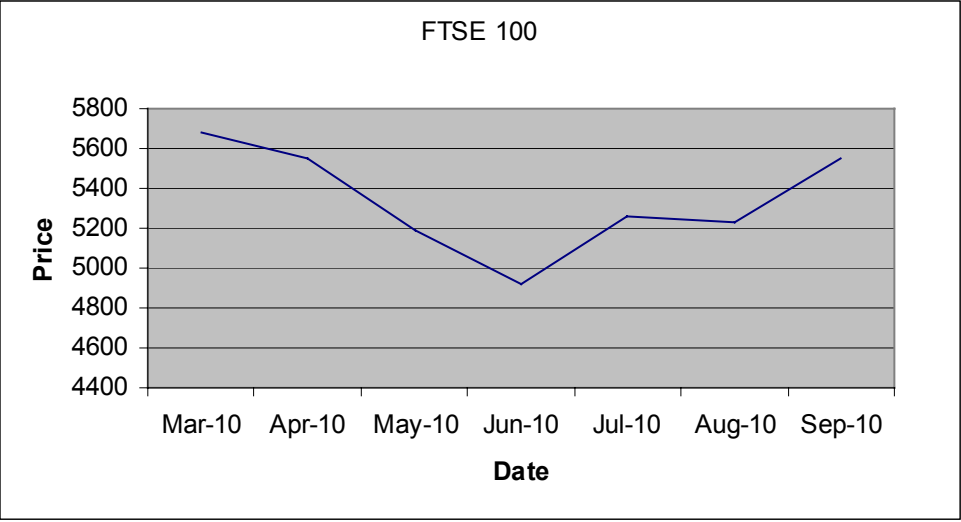
The report e-mailed to members in September provided performance figures of Fund versus the main markets over a three month period. Firstly, I will take this opportunity to thank you Rod for your comments during our last meeting on my positive performance over the period. I have also received requests for a six month, month by month view of this Fund versus the markets (maybe some of you thought a three month snap shot was simply to portray a rosier picture!!) well here's the wider six month snap shot;

	1 Month 31/08/10	2 Months 31/07/10	3 Months 30/06/10	4 Months 31/05/10	5 Months 30/04/10	6 Months 31/03/10
S&P 500	8.76	3.59	10.72	4.75	-3.83	-2.41
DOW Jones	7.72	3.08	10.37	6.43	-2.00	-0.63
FTSE 100	6.19	5.53	12.85	6.94	-0.08	-2.31
RIO Professional	0.53	2.35	8.49	11.51	12.95	11.26

All figures represent growth in percentage terms and are rounded to two decimal places.

I have also provided a few basic charts to illustrate the Fund's performance differential at a glance. This is useful as a clear indicator that RIO Professional Investors Fund is not correlated to the main markets. It's also interesting interested to compare volatility, as again a clear picture emerges, it's almost nonexistent in this Fund for the period portrayed;





The Fund will likely continue its uptrend during October adding to its gains; I can also report that the Funds annual target return of 12% has all but been achieved in the past six months with a gain of 11.26% during this period. I predicted in September's report that the Oil trade positioned during last month should do relatively well, the good news is Oil has rallied to over \$81 a barrel, which will add to gains during October as I close this trade taking profits for the Fund.

I have little to report on this Fund' Yen/Dollar trade which remains in position having bought at 83.25. I expect it to move towards the 85 mark. I touched on the reasons why in general market update.

Thank you to Barry and Ed who both noticed that I had accurately forecasted Gold's rise to \$1,300 in my report of 26th May entitled Gold. Looking forward, I expect to be in a position to acquire Gold yet again for the Fund, but will as usual make full use of the in depth data/research which currently indicates a short term correction soon.

This metal has attracted more and more media attention since my early report of February 2002 titled "We Predict Gold to Shine Again" highlighted the upside potential of this yellow metal (see below).

William Gray
RIO Professional Investors Fund

Past

February 2002

We Predict Gold to Shine Again! Is History Repeating Itself?

To cut a long story short, it argues that the tailwinds that have blown paper assets forward since 1979 have already begun to swing around.

From 1915 until 1926, the currents blew the Dow up to a level that was 15 times the price of gold. Then, in the whirlwind of a bare market and depression, people turned their backs on paper and clung to gold. In the financial debacle of the '30s, people lost confidence in papers; not in dollars, which remained strong, but in stocks. Their distrust of stocks was so great that it took 22 years—from 1926 to 1948—before the Dow began to rise against gold.

But once the trade winds got behind paper assets again, they blew steadily for the next 17 years, until 1965. By then, the ratio of the Dow to gold had reached nearly 30, whereas it had been below five in 1948.

Once again, after 1965, the winds changed directions and blew so hard, that the ratio of the Dow to gold fell to below one in 1980. In that year, gold sold briefly for more than \$800 an ounce.

Never again would the price of gold be so high and the price of stocks so low. The Dow began its epic rise in 1982...taking it to a new record high against gold in 1999. In that year, the Dow/gold ratio topped out at 42.

The hot air that carried the Dow and the dollar so high has cooled. The Dow is on its way down. We predict the price of gold is on its way up!

Why should the dollar fall against gold?

The Enron bankruptcy, the de facto default on sovereign debt by Argentina, and a looming financial crisis in Japan are random but high profile reminders of a deteriorating global credit environment.

The lie hidden in the deepest entrails of modern central banking is that "money" can be created out of thin air.

If the economy is growing too slowly, economists are heard urging the central bank "to put more money" in circulation. Of course, if more "money" could really make people rich, the Argentineans of the 1980's would have been fabulously wealthy.

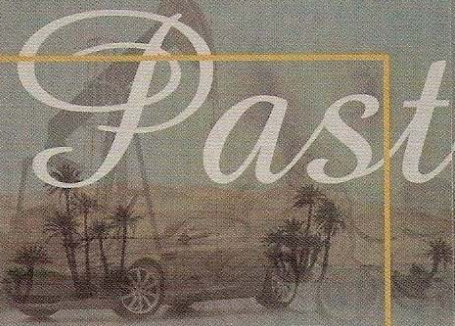


Instead, they became pathetically impoverished. Why? Because the central bank cannot really put more "money" in circulation. All it can do is circulate more of what appears to be money...paper currency or credit...in order to make people feel that they are richer than they really are. Under ideal conditions, the mock money causes people to spend and invest a little more freely...and gives a sluggish economy a boost.

But people cannot really spend money they do not have. Money must represent real wealth...real resources...or it has no meaning. Printing extra bills does not increase the amount of real resources available. So, handing out the extra cash and credit is a kind of deceit, which is welcomed by almost everyone, until it blows up.

The phony money causes people to change their behavior. They spend money they don't really have...and invest in projects they shouldn't. Money seems delightfully easy to come by in the boom stage and gets tossed around casually. But then what happens? Eventually, people become aware that their investments are not producing the profits they had hoped for. They cut back. Consumers cut back too realizing that they are not as rich as they had thought. And lenders, who were happy to extend credit to Enron and household pets when the economy was booming, become worried. Question marks begin to appear. Will debtors really be able to make their payments? Are earnings really what the company says they are? Will sales really go up in the future?

February 2002



We Predict Gold to...Continued

Lenders have become reluctant to make new commercial loans. Is it surprising? Bankruptcies, credit defaults, and late payments are hitting new records. Who would want to lend? And yet, if the rate of borrowing and spending declines the boom is over.

The quality of credit has been called into question. More and more "Enron Stories" will hit the news. More and more question marks will appear. How can the U.S. afford such huge new government outlays?

Relative to gold, we expect the dollar to fall.

While the dollar had the wind to its back it seemed to make sense for central bankers to lighten up on gold and hold more interest-yielding, U.S. dollar assets.

But central bankers must feel the new chill wind too. They too must be asking questions.

"Central banks will suspend gold sales and balk at rolling over bullion loans. Market sentiment towards financial assets will sour further. The bear market in financial assets, already underway, will become more widely recognized." **Be warned!!!**

Our recommended - BUY GOLD! I have at \$281 @ ounce for several members including myself.

William Gray.
Executive Chairman