

7<sup>th</sup> June 2011

## **RIO Professional Investors Fund set to post yet more gains!**

May added to the list of months in which this Fund has produced a positive return, as we continue to witness economic uncertainty globally. **The Fund remains positioned to benefit from any further economic or political bad news out of Europe or the US, which is likely.** That said this Fund is expected to continue to outperform its benchmark return which remains unchanged since inception at 12% per annum. The Fund has more than doubled its benchmark return during the last twelve months posting a gain of 25.46%. I am confident that my trading strategies currently utilised for this fund will result in continued outperformance this prediction/optimism is based on facts outlined below.

**The worldwide economic position remains uncertain** – As the Organization for Economic Cooperation and Development (OECD) stated last month, the crisis still threatens the global economy with stagflation lurking and Japan set for recession. The OECD held its 2011 global growth forecast steady at 4.2percent in its latest semi-annual Economic Outlook report, but warned of negative uncertainty.

Pier Carlo Padoan, the OECD's chief economist, in his introduction to the report warned that dangers elsewhere include possible increases in oil and other commodity prices, Eurozone debt problems, and the unsettled fiscal situation in Japan and the U.S. He commented "All this suggests that the global crisis may not be over yet".

**Greece** - Any default on Greece's debt is likely to hurt other peripheral Eurozone countries, Moody's warns.

A special comment issued by the ratings agency explores the consequences of a potential default on the country's debt and says that other stressed European nations will "invariably" find their credit ratings affected. While avoiding commenting on the "likelihood or the desirability" of a default, it says that the temptation to embark on some form of debt restructuring will grow the longer uncertainty persists around Greece's economic health.

Moody's adds that this will lead to "increasingly polarised" sovereigns in the eurozone, as stronger countries hold on to their high ratings while weaker states find it difficult to remain at investment grade.

**Gold** – My research indicates that Gold continues to be supported at or around current levels on concerns over Europe's sovereign debt crisis. Furthermore, Europe's policy options to avert a Greek debt default appeared to be diminishing. In turn, this will likely spark fears of a chain reaction, which will almost certainly negatively affect other heavily indebted countries in the 17 nation currency bloc.

The above scenario should give what can only be considered a compelling reason for members who are considering new or further investment in RIO Professional Investor's Fund. To those of you who have recently invested in this Fund the above should simply reinforce your decision.

**William Gray**

**Fund Manager,**

**RIO Professional Investors Fund**

