In the first three months to the end of March the Fund reported a gain of 3.11%, with a small correction in April (-0.39%). I have provided below brief comments on the main assets held by the Fund.

Gold - The Fund sold all holdings in this metal during March at a price of $1,587. Having traded this metal successfully for over twelve years, I had accurately forecast its recent fall. Accordingly, members would perhaps expect that I sold 100% of RIO Professional's holdings in this commodity in March. Accordingly the Fund was not adversely affected while most other Gold-dependent funds were hit (and hit hard) along with many Gold traders.

I actually sold Silver first for the very good reason that although both metals mirror each other's movements, Silver is far more volatile.

UK Property - I have increased the Funds weighting to this asset from 18.01% in January to 21.66% today. The pie chart on the Fund factsheet clearly portrays the percentage of each asset allocation month by month. The property held has already begun to move in the right direction and is already in profit.

Fixed Return - These holdings are low risk. They remain solid and provide a good source of steady but reliable gain from the returns produced. Weighting have been increased from 23.28% in January to 32.69% today.

Term deposits - These are used to actively trade currencies and metals, which has always been the case since the inception of the Fund. Weightings have been reduced from 23.08% in January to 17.98%.

Other Mutual Funds - These provide an alternative investment and also a little diversification for the Fund. Weights have been reduced from 29.87% in January to 27.55% today.

Fund Manager's comment - The Fund is currently undervalued in US Dollar terms, this means that the main assets are performing very well in their underlying currencies, but are offset to a degree by short term US Dollar strength driven by the US stock market rally.

The next move in Gold?

China is buying Gold and one reason is that the Chinese want to become a dominant player on the global stage. As mentioned in earlier reports China wants the Yuan to be viewed as a contender to the Dollar, Euro, or Yen - that's a tall order to fill. First they'll have to tackle a massive stumbling block; the fact remains that, at present, China doesn't have enough Gold to back their currency. Hence they remain far from their goal. Accordingly I predict that the People's Bank of China will continue to add to their reserves which will help support Gold.

China is not alone. Gold will continue to see additional support as other countries increase their holdings in the shiny metal. For some time now I have reported on the current status quo which is that of depreciating currencies. Today this is fast becoming a world wide issue and a result of this is that Gold buying as a hedge against currency risk will continue relentlessly, especially with emerging market economies.

As before, this type of heavy duty purchasing for safety and preservation of purchasing power by buyers with very deep pockets, such as banks and governments, will continue to support Gold.

<u>Gold the Outlook</u>

Members should remember that there are ongoing civil wars in the Middle East. Also, the second and third largest economies on earth, China and Japan, have fallen out over territory in the middle of the Pacific, causing Japanese car sales in China to fall by half.

Then there are the economic and political problems which still remain in Greece, Italy, Spain, Portugal, and now even France, which would appear to be on the brink of economic and political upheaval.

The United States remains burdened by debt and a malaise of comparable proportions as they continue to squabble over partisan divides, without addressing any of the real issues that could ruin the economy, should they stay on the present course.

Despite the problems, corporate America has seen strong earnings. After years of shedding workers, it appears the majority of big businesses has adapted to the jobless recovery, weakened consumer spending and the flood of easy money through corporate bonds.

This has bamboozled a lot of gun-shy investors back into the equity market and has pulled the price of Gold down from $1,800/oz. However, the fact remains that there is really no hiding the problems at hand – and the disasters that are likely to follow.

In response to years of high-risk gambling that failed, the large multinational banks and the various central banks have been crushing CRT+P on their laptops, adding zeros and printing currencies with abandon!

The International Monetary Fund recently downgraded global growth, saying “Clearly downside risks continue to loom large, importantly reflecting risks of delayed or insufficient policy action.” In other words “print more money.” It is self-serving cronyism at its best.

<u>If you make more of something, it becomes less valuable!</u>

History is full of examples of the horrific ramifications of currency debasement. (Remember, the hyper-inflation which led to Adolf Hitler.) Fascism can be viewed as the marriage of corporations and government, or cronyism in reality.

<u>Gold continued</u>

Gold has been resistant at $1,800 oz three times in the last year and a half, and briefly breached this ceiling during the 2011 debt ceiling crisis. Eventually, reality is going to force itself on politicians and central bankers and Gold will break out of its long-term consolidation pattern.

Ben Bernanke and the Fed have made it abundantly clear they are out to destroy your purchasing power. Bernanke is creating $85 billion a month, clearly until unemployment in the US improves (or the world finds itself with massive inflation).

Major changes have taken place

But money printing and currency will not be the biggest catalyst for Gold price increases next year. Not even close.The biggest catalyst for Gold is a massive reevaluation by the Basel Committee of Bank Supervision.

BCBS sets the international rules for banks. They have reacted to the 2008 debt crisis by changing the rules for collateral. The new rules mean Tier 1 collateral, or assets, will have to rise from 2% to 7% of loans. This means the banks will have to hold more money or lend less which, I may point out, is exactly the opposite of what many governments are trying to do by printing more money.

After the Gold crash in the 1980s, the Basel Committee rated Gold as a risky asset, and government bonds and real estate as zero risk. Of course, these “geniuses” got it completely wrong. Global real estate has crashed and sovereign bonds, in places like Greece and Spain, are seen as rating junk status. So now they are trying to correct that mistake by rerating Gold as a Tier 1 asset, or “zero risk” collateral — the same as sovereign bonds.

Gold as Collateral

Currently, Gold is rated as a Tier 3 (or third-class) asset. This means banks can only carry 50% of its market value as capital. Needless to say, this inhibits the desire for banks to hold Gold simply because the more Tier 1 (or first-class) assets a bank has the more money it can lend.

But the Basel Committee is turning Gold into a Tier 1 asset so it can be carried at 100% of its value. This is a very significant change, which has not been given enough air time by the main stream media. Yet this massive turn round in valuation would double the value that banks place on Gold almost overnight. That’s not news?

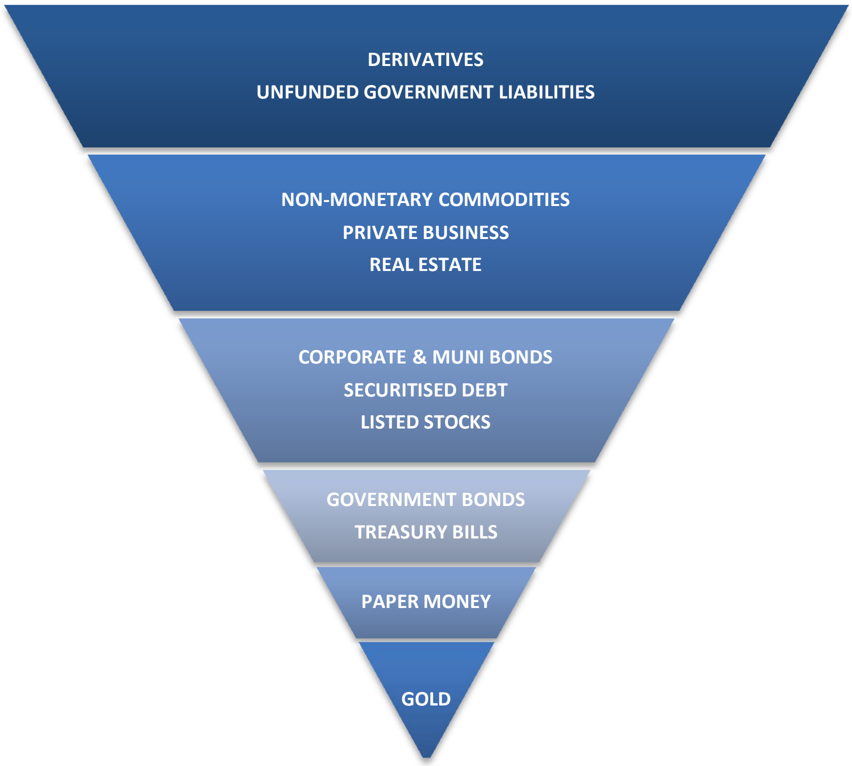
And the impact is already underway

- According to US Global Investors, in February 2011 JPMorgan Chase & Co. said Gold is at least as good an investment as triple-A rated Treasuries. JPMorgan started allowing clients to use Gold as collateral in some transactions where traditionally only Treasury bonds and stocks have been accepted.
- On May 25, 2011, the European Parliament's Committee on Economic and Monetary Affairs (ECON) agreed to accept Gold as collateral.
- In March Turkey passed a law allowing Tier 1 status for Gold held by banks.

The chart below is a simple visualisation of risk. Gold is the least risk/most stable value at the point, while asset classes on progressively higher levels are more risky as the top is approached.

The chart is also representative of the size of riskier assets in the world: the higher and bigger on the chart, the more of the asset there is worldwide and the greater its total value.

All Gold ever mined will fit into two Olympic swimming pools. Compare that to the size of the derivative market, which is estimated to be 1,200 trillion dollars, or 20 times the global economy.



Risk

During boom times, money flows from the bottom of the chart to the top; during busts, money flows from the top to the bottom.

Right now, the world is carrying huge debt and denial. This is why Basel III is attempting to reduce risk and revalue Gold as “zero risk” collateral.

My previous reports on this event have highlighted the changes in progress to members. This is a very significant change for Gold yet few main stream investors are aware that the new rules are already being implemented, as of January 1, 2013 to be precise. My comment is that the implementation may take a few years to filter though the labyrinth of the global financial system.

In short the Gold story is far from finished!

Finally, The last time Gold broke out of its consolidation pattern, in 2008, it went from $850 to $1,200 that’s a 40% gain. Given the added catalyst of Basel III this is more than a major support for Gold, which could see the metal again in the news.

Is this a silent conspiracy as Gold becomes a new currency? While Central banks and governments are buying Gold by the metric ton!

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