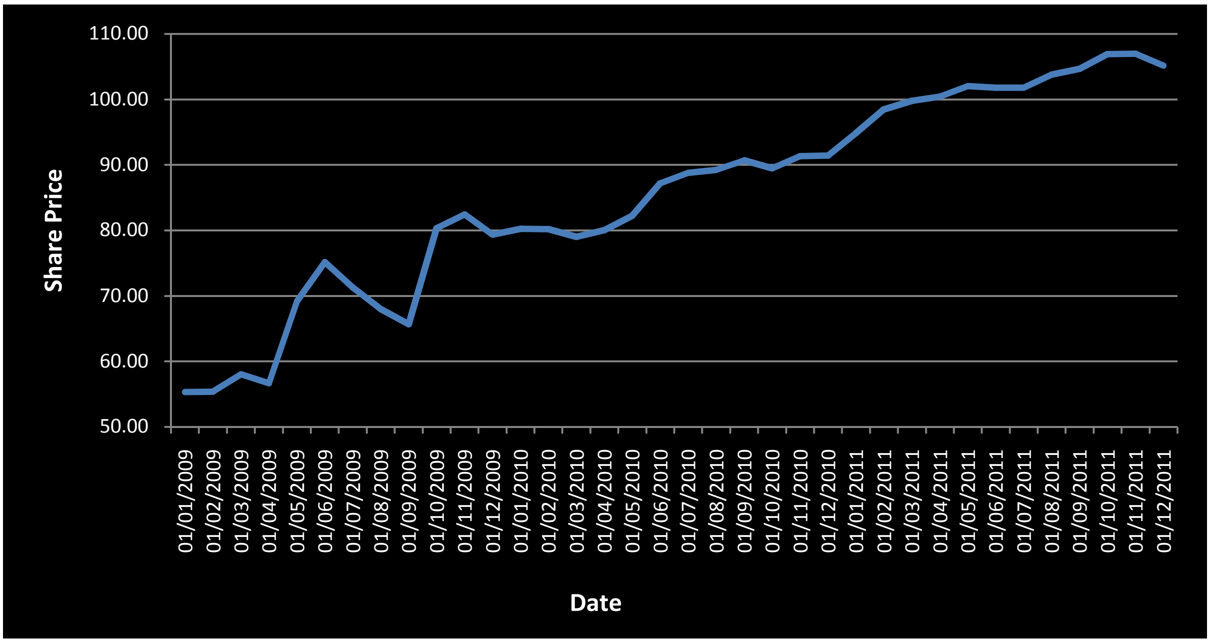
RIO Professional Investors Fund Limited- Part 1

18 January 2012



I have just returned from my seasonal holiday and am feeling refreshed. Last year was one full of very active trading, which was well worthwhile since the Fund continued to signifiacntly exceed its bench mark. This would have been very evident for thosewho have invested in the RIO Professional Investors Fund. On a personal note, I am very keen to get 'back in the saddle'.

On 21st of December 2011 I added Silver to the asset class of this Fund buying at $28.30. I have now been tracking and analysing Silver for over two years. The first trade in silver has been placed targeting a net gain of 3%. Currently this position is in profit and remains active. The above trade was placed whilst on leave and I also traded Yen/Dollar and Sterling/Dollar during this time and in both cases the trades were successful, closing in profit for the Fund.

I continued trading through the holiday period and also acquired a new position in Gold, as members may recollect from my previous report. I had predicted a correction in Gold and as such I sold all positions held in this correction. Having sold 100% of the Funds position in Gold I posted a new buy order at a far lower price of $1,650 which was filled.

This explains the negative performance of -1.68% during December 2011. Why? Due to the fact that the Fund had just reacquired Gold at $1,650, as you can see from the graph below Gold indeed moved briefly lower and hence the negative performance at month end. This drop in Gold price was largely due to institutional investment houses selling positions as fund managers sought to hit their profit targets, simply to ensure their pre end of year bonus!

I was also fully aware that these same fund managers would have already set their buy orders to re-acquire this metal at the beginning of 2012 and the graph above depicts that this may well be the case.

I predict that the US Government will continue to spend beyond its means especially since this is an election year. Accordingly, I forecast that the Federal Reserve will again print money to prime the economy. Assuming that my prediction is correct, members should invest in commodities, which strengthen during the time of a weakening Dollar, the side effect of accommodative monetary policies.

As most members know, the US presidential election will take place during Novembe and the media is likely to witness a spell of good news on the run up to this event. The American Government is already spending staggering amounts of money right now, printing a lot of money in preparation for the election.

After two rounds of quantitative easing it was no surprise to me that the Federal Reserve have already alluded to the need for a third round this year, for which asset purchases will continue from banks with freshly printed money designed to pump up the US economy.

Some Federal Reserve officials have cited encouraging economic indicators, for example, December employment figures depicting the US economy adding a net 200,000 non-farm employees to payrolls, which could delay further quantitative easing at this time.

Assuming that the world economy remains sluggish, a lot more money will be printed and members/investors should own real assets when this happens. Members should note that there are many elections this year, which will encourage printing!

But it should also be noted that, should the world economy improve, then commodity prices will also do well due to shortages, a double-edged sword. In closing our Gold trade is very likely to see profit as the above unfolds. Part two of this report to follow next week (more compelling data on Gold).

William Gray
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