

GOLD

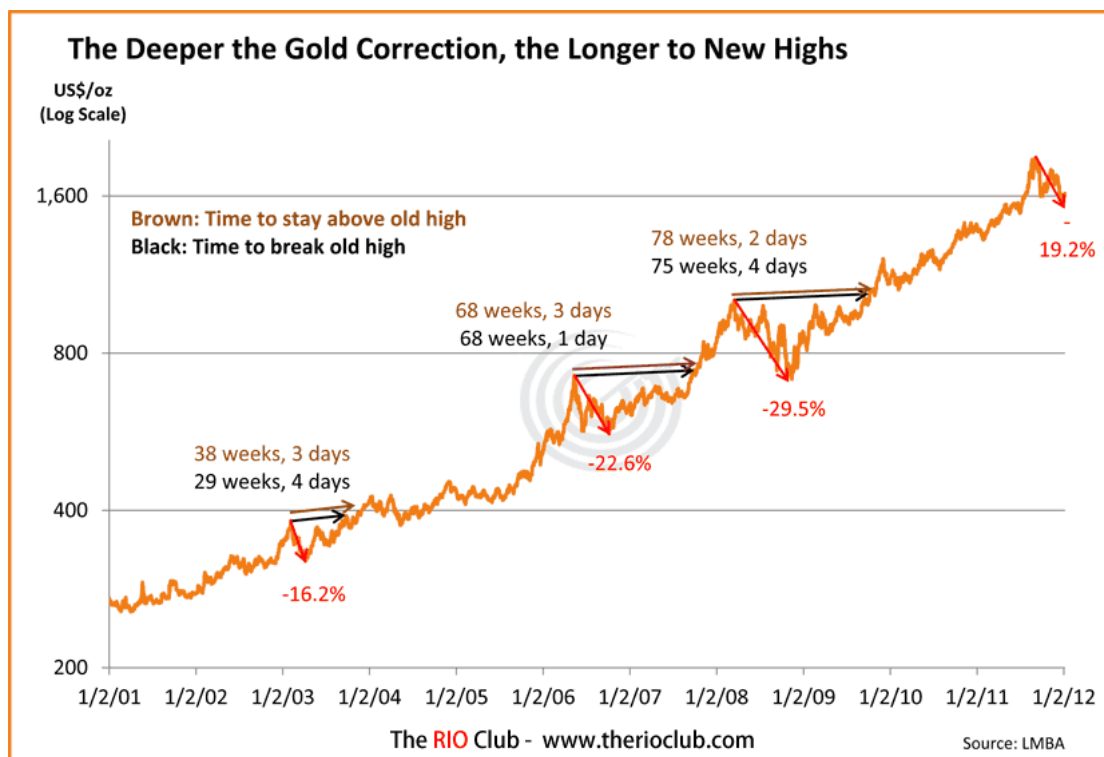
25 January 2012

Record High 5 September 2011 at \$1,895 per ounce

Recent low 29 December 2011 at \$1,531 per ounce

Thank you to those members who have emailed me on my recent reports. I would draw attention to the fact that a correction of 19.2% is nothing new. The important point is to consider that Gold remains a hot ticket item and the bull market is still active. The real question is to determine how long it might take to surpass the high point of \$1,895? Let's consider past corrections and examine how long it took previous highs to recover from these.

The following chart depicts three large corrections in Gold since 2001, and also shows how many weeks it took the Gold price to i) breach a previous high, and ii) then recover above that level.



For each correction it took a significant amount of time for Gold to forge new highpoints after big selloffs. In 2006, after a total fall of 22.6%, it took a year and four months for Gold to surpass its previous high. The 2008 fall in value took a year and six months before a new record price was set.

The current correction resembles that in 2003 when the price fell 16.2%, after which Gold recovered to the previous high level seven months later. So when do we reach a new high?

Gold could drop below the \$1,531 low point if the needs for cash and liquidity forces large investors to resume selling. On the other hand, Europe and/or the US are very likely to resume printing money on a large scale similar to that embarked on previously. Should this be so then this will cause the Gold price to rise significantly.

Looking at the chart above I would not be surprised if we don't achieve a price of \$1,900 per ounce in about four months time. Accordingly, I would recommend buying now at around \$1,600. Even should the price fall to, say, \$1,500, it is most likely to move back above \$1,800 before the year is over. It is also unlikely to revisit the \$1,600 cycle again this year.

Some mainstream media reporting is indicating that the Gold bull market is over, but I would contend that their assessment is incorrect since it ignores the historical trends set over the past ten years or so, which is clearly demonstrated in statistical data above. Noting this, I would predict that Gold will surpass the \$1800 mark this year.

September tends to be seasonally the strongest month of the year for Gold. If it has not broken through its previous high before that it is likely to do so then!

I am confident that a new high in the Gold price will be set because many major currencies are in an unsound condition, laden with debt which is subject to government policy failure and poor management, certainly based on the immediate past record.

My past three reports strongly underline the fact that Gold is more than likely to continue it's up trend. As such the RIO Professional Investors Fund's current trade in Gold is likely to be yet another trade closed in positive territory adding to the Funds profits as it continues to outperform its benchmark target return.

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