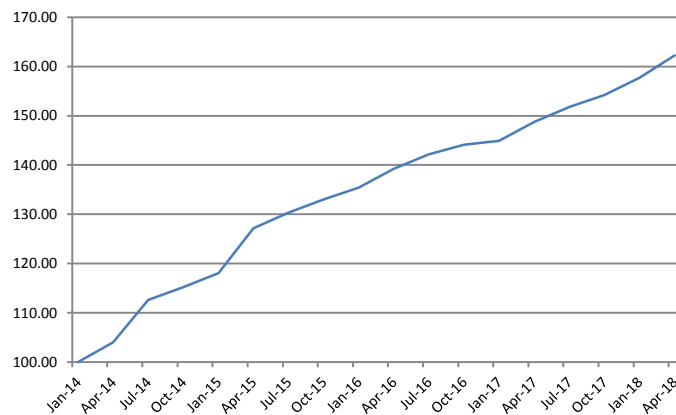




Firstly, as this investment nears its target maturity date, I can say never say never again!

Last time out, during 1995-2001, RIO Property Group outperformed the UK Property market (its benchmark), as well as surpassing the forecasted target return of 50% for the five year period of the investment, much to our members satisfaction.



I am sure those invested now will be pleased as this investment looks to be a repeat of our previous success. Indeed, the returns this time out look set to be even better.

My predictions on a price fallback look to have been correct, since once again, as market numbers confirm, UK house prices dropped. This caught many investment houses off guard with UK house prices falling unexpectedly in May. The figures from Nationwide Building Society revealed Thursday that the market has eased, house prices decreasing 0.2% on a monthly basis in May, in contrast to an increase of 0.1% in April.

Even the Economists got it wrong, forecasting an increase of 0.2% in May. Well RIO got it correct! I had forecasted that they would begin to drop. On a yearly basis, house price growth eased to 2.4% in May from 2.6% a month ago, even though most property investment specialists had expected prices to show a gain of 3%.

As said in my last report, all RIO projects are complete with only one remaining, this has lowered the market risk significantly. The good news is that this project is on target for completion by August/September.

It was by no mistake that RIO had planned the projects to mature at the end of the five year period, the five year period set at inception. Even better perhaps is that during my last trip to the UK in April, I finalized all outstanding issues. Accordingly I was able to bank the money due on property projects, this remitted by both purchasers and tenants. Importantly this capital was then received ahead of recent data, and ensures yet another successful quarter. Precision has helped this investment which is about to record its 18th consecutive gaining quarter, even without this factored in the outperforming investment is up 62.25% since launch.

The above is in stark comparison to the results posted for one of the largest British-based house building companies, Taylor Wimpey plc, listed on the FTSE 100 Index. Taylor's stock plunged 5.1% yesterday.

William Gray
The RIO Club