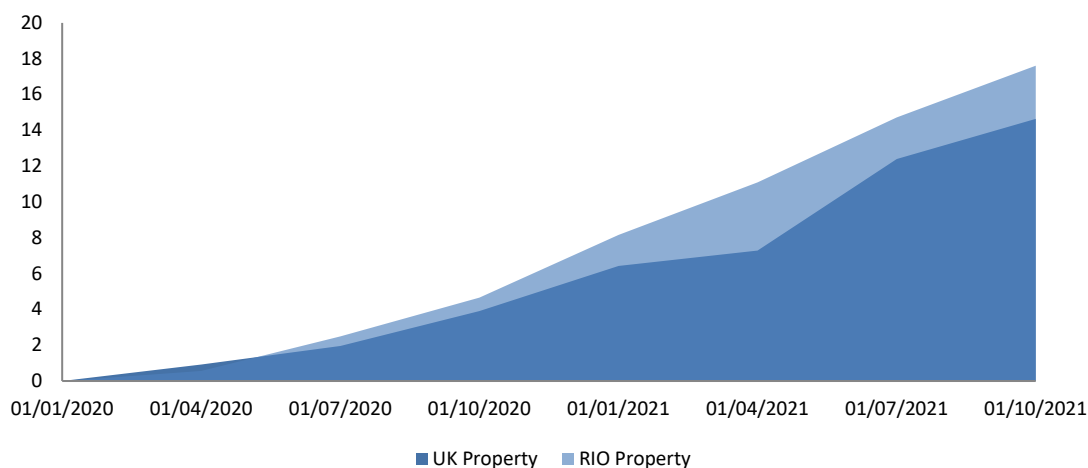




RIO Property Group closed the third quarter with a gain of 2.52%. Since launch, this investment has posted net returns to date of 17.61% and as such remains on target. This is another investment which has performed well, recording six consecutive gaining quarters, much to the satisfaction of those invested. Looking forward we have done everything possible to end the year on a high.



Two of the four projects are firmly on target despite lockdowns and material shortages. The team has continued to deliver what can only be described as a considerable effort to overcome these issues and ensure that projects remain on schedule despite some delivery issues. That said, the two projects which have been negatively affected by shortages could, with additional effort, be back on track by spring 2022.

UK Property

While rising inflation is currently grabbing the headlines, the direct effect on pricing could be minimal, as property values have a much stronger link with economic growth. The average UK house price has continued to rise strongly in 2021, increasing by 5.6% in the first six months of the year according to the Nationwide index. As I mentioned in July's comments, UK confidence remains strong in the house building and construction sectors. I predict this trend to continue, due in part to the success of the vaccination programme.

The path of interest rates remains crucial to our house price forecasts. A steeper-than-anticipated jump in rates would severely restrict growth, although it would have to be severe to lead to an actual fall in values; this remains an outside risk in our view. From 1st July to 30th September the nil-rate band threshold was temporarily held at £250,000. In October, it will return to the normal threshold of £125,000 and £300,000 for first-time buyers.

It is telling that house prices in the UK experienced a rise of 1.7% in September, the highest move in near 15 years, this as the tax cut on home purchases expired at the end of the month. On an annual

basis, house price growth has increased from 7.2% to 7.4% in August, however it's important to note that it had decreased in each of the previous three months.

Finally, thank you to all members who have commented on the positive performance of this investment to date.

William Gray
The RIO Club