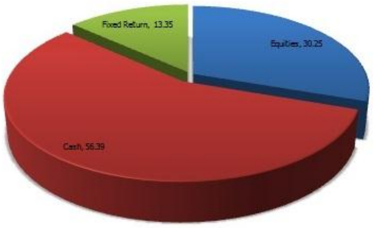
THE RIO CLUB

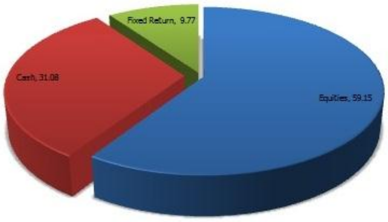
24 April 2014

RIO REGULAR INVESTMENT ACCOUNT

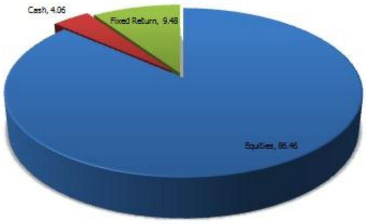
The account has seen eight gaining months since May 2013 and four losing months. A net gain of just over 17% was achieved in the 11 month period, averaging approximately 1.7% gain per month as we approach May.



FEBRUARY 2014



MARCH 2014



APRIL 2014

The regular account has undergone an asset repositioning exercise in 2014. As the PIE charts above reflect the equity weighting has increased and the overweight cash positions has been reduced.

Since over 84% of members utilize the Regular Investment Account, meaning they invest on a regular basis (monthly) and not lump sum, all those investing in this account are seeking the potential for greater gain, as one would associate with the risk profile of this account. Returns demonstrate that this has been delivered over the past eleven months where the account has outperformed its bench mark return.

Hence, to bring this account more in line with its high risk profile set at launch and, keeping in mind that this product has been specifically designed for regular investment and small *ad hoc* lump sum investment, I have over the past four months reduced the over weighted cash position to better suit the launch profile or risk/reward ratio and this is the reason the account has seen better returns over the over the period above.

The previous account weighting to cash, although offering low volatility, offered little to no growth prospects as would be expected with a large percentage held in cash. The weighting on the 1st February to cash as an asset represented over 56% of the account, which was far too high for an account of this type.

The cash position was reduced to 31% by 1st March and subsequently to just 4% by 1st April 2014.

RIO's regular account risk profile is that of a high risk regular investment. The repositioning of asset weighting has to date proved very rewarding in terms of gains realised, as many of those invested in the account have commented recently.

The filed statistics confirm that the account has also witnessed three consecutive gaining months. Many members have expressed that they are very happy to see additional weightings to equity**,** especially given the poor performance of the two months preceding the restructuring exercise. During the period November- December 2013 the account produced a net gain of only 0.61% for the 8 week period.

Since the asset repositioning began at the start of January 2014 the account initially produced a 1.46% gain, due to the additional equity exposure. There was further increased exposure to equities in February the additional exposure produced an excellent gain in the month, 3.21% in just four weeks.

A similar story can be seen again on 1st March, as the equity weighting of the account was increased a more than reasonable gain of 1.12% was realised. The result of the repositioning exercise to date is a 5.79% gain in these three months.

That's all good but I would point out that the 86.46% equity position of the regular account will lead to additional volatility, which is to be expected in this form of investment, meaning that the performance could be more erratic than that seen over the past three quarters. I forecast a short term chop, which will simply be a reflection of the risk status as the recent gains reflect.

To capture gains on a regular basis, there is no option in today's market but to suffer the volatility and, although all invested have accepted the risk profile, I understand recent comments made about the period November and December, where very little gain was produced.

However my job is often to protect gains made so I won't apologize.The account did not lose ground because during that period it was mostly in cash. My rationale was that the account had gained 3.88% in October alone, and I simply wished to protect the account over the festive season, when strong downside pressure often occurs as investment houses unwind risk positions ahead of their traditional investment industry Christmas bonus period.

Those investing on a regular basis sometimes complain when I go to cash, but I am simply trying to avoid downside risk. Members invested in this account have remarked "isn't this a high risk account, since it is not RIO Professional which is our low risk mutual fund".

That is true, and I also accept that it is designed for regular investment and thus it does benefit those investing regularly since unit cost averaging comes into play. By investing on a regular basis (for example, monthly) more shares of an investment are purchased when prices are low and fewer shares are purchased when prices are high. This could reduce the total average cost of purchase per share during the term of the investment. As an example, since launch, an investor making a monthly contribution of $5,000 would have made contributions totalling $90,000 and by investing monthly would have purchased a total of 977 shares, equating to a value today of $93,625.91. By contrast, a lump sum investment of $90,000 at outset would have purchased 900 shares and be valued at $86,247.00.

The account is now more in line with its risk profile set at launch. Although the gains have been far higher over the past three months, so has the risk. I repeat there is no such thing as high gain /low risk, personally I hate volatility.

For example, during June and July, gains were excellent accounting for a gain of 6.64% in two months; I then turned to safety during August and September 2013, which produced no gain as a result.

William Gray