



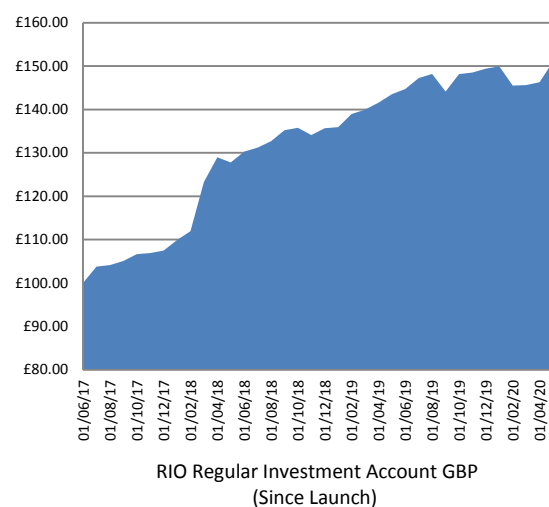
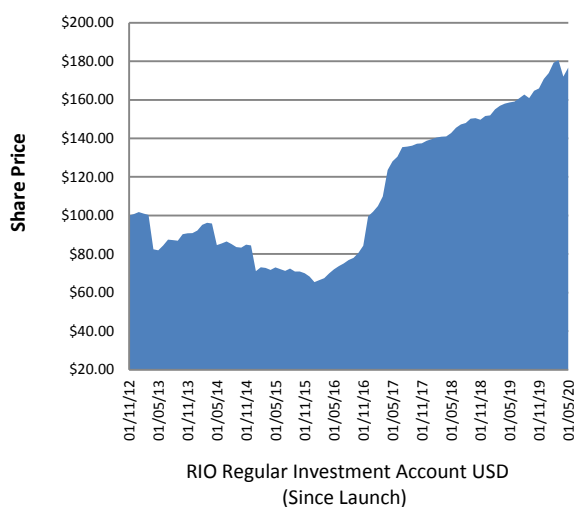
Stock markets have regained much ground from the massive sell-off and subsequent meltdown of March. The arrival of an upward spike was exactly as I had predicted and positioned for.

The first spike/rally pushed the MSCI World Equity Index to one of the strongest in history, stretching back to 1970. That said, it is not the only statistic which should be a risk warning, I would advise any member to be very careful if they are investing in stocks and making such selections themselves; especially those who may falsely believe that all stocks are cheap at present. I would bring attention to the fact that the exact opposite is true; all stocks are not undervalued, the general US market is expensive right now.

The US market currently remains close to the highest price to earnings ratio recorded in over a decade; meaning that stock values relative to expected earnings are at their highest since just after the last meltdown. Worse perhaps is the fact that the current expected earnings are very optimistic. Simply put, it is very high risk and the writing is on the wall, the general US market has many stocks which are still currently overvalued. Buying into the market misery at the height of the meltdown made sense, which is exactly what I did for those invested, but today things have moved forward. My point being that we are now off those lows and as such, you need to be very selective when buying stock in today's market.

Looking back, RIO investments fared far better than that of the mainstream investment companies, most of these household names suffered crippling equity based losses!

As to why, well the difference being simply that RIO is very proactive, and more to a degree we had been prepared with cash in hand in both Regular Accounts. Holding over 30% in cash within the asset allocation, as usual, meant that we were well prepared. The foresight enabling RIO Regular Accounts to buy into the massive sell-off and subsequent lows. Doing so in March had significantly lowered the downside of our Regular USD which lost ground due to stock markets losing near a third of their values; RIO Regular GBP fared even better posting a modest gain in the same month. Both accounts did well in the worst market meltdown since 1987; I consider this to be a real achievement given that almost every equity related investment fund in the world plunged over 30%.



Why does RIO often perform well in meltdown?

RIO's investment style of retaining a reasonable percentage of asset allocation in cash may be considered unusual by some, but those invested can again see the benefit.

In a normal market the amount retained in cash can be up to 30%; those invested can see holding cash in this way has again proven its worth. In fact this also holds true historically, doing so has often provided RIO with the tools to limit the downside risk. The meltdown in 2020 is just another example of the benefits of being ready and prepared at all times, noting that timing is a critical factor for investment success.

There is a negative to the positive benefits of course, it means that the manager, namely myself, is required to commit the additional effort and work to ensure the 70% or so which remains invested produces the desired results. Well our statistics show that RIO's Regulars have among the best risk reward ratios in the industry, that says it all. If you want more then there is also the fact that both Regular Accounts are regarded as among the least volatile equity related investments in the world. Perhaps more importantly, they have delivered positive results, for example RIO Regular USD has produced growth of 141.85% in the past five years, that's an average of over 28% per annum.

Members who are prepared to accept additional risk may be interested in 888

For those members prepared to accept a higher degree of risk there is RIO 888, a high risk account which posted a very impressive gain of 70.75% in the first quarter of 2020. This continued performance, as always, is a result of the identification of the correct stock and as in today's case, perfect market timing combined with very accurate trading.

When investing today one must remember that there is a lot of optimism surrounding the fact that the coronavirus outbreak looks to be peaking in most developed markets, the watch word being "looks". Perhaps also the belief in the power of money printing and the fact that many markets over the years have been conditioned to react to this type stimulation.

RIO makes our equity based asset allocation decisions on which companies stock could perform in both bull and bear markets. Our buying, and indeed what we may buy next is often based on this criteria. We have favoured companies who supply military defence related tech and hardware. After all it is a given that these types of business are considered essential, they importantly continue to work, remaining open regardless of market or world situations. Since inception RIO Regular USD has traded Lockheed Martin and Elbit systems, both of which are military defence contractors.

The take away is that it makes sense and such companies are sheltered; in fact these companies are currently hiring more staff, this due to the increased workload from new government contracts awarded during the meltdown.

RIO have done well in April with all investment accounts posting gains!

Looking for opportunity? Lockdowns will have an effect on the commercial property market!

Currently many countries remain in lockdown and the long-term impact of COVID-19 is yet to be seen. The forced isolation has accelerated the use of technology for communication which has in turn enabled a look at more flexible solutions for working from home. We have also seen supply chains come under far more scrutiny which may finally lead to more on-shoring or near-shoring as manufacturers look to strengthen and diversify their supply networks even though the price-

sensitive consumer may find this vexing. There will be focus on the value of having access to a private outside space or a larger public outdoor space.

RIO Property has already taken action to source potential.

Such radical changes to the way we work and live will impact real-estate markets worldwide and those prepared for such changes will prosper. RIO Property Group has begun research to uncover additional real-estate investment opportunities for those members already invested or considering investing in the RIO Property Group Account launched in October 2019, the third such product which has been offered to members.

It is worthwhile to note that previous versions of RIO Property both delivered net returns in excess of 60% upon maturity of the fixed 5 year term investment; this was above target and well above the benchmark (UK Property Index) return.

William Gray
The RIO Club