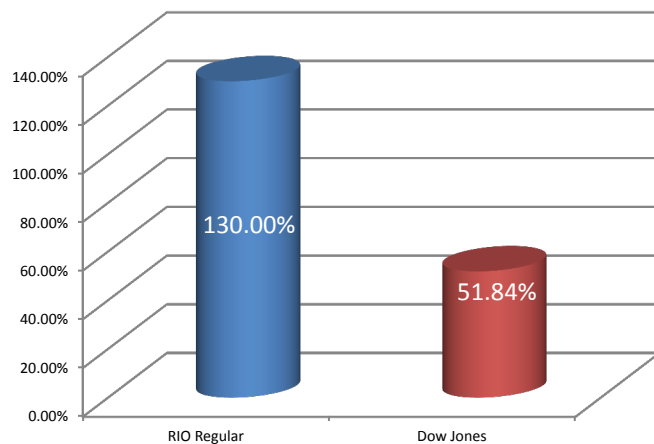




Investment Manager Comments

The Regular Investment Account (USD) produced a gain of 0.18% during September. The Account has produced a truly staggering record recently; with 33 consecutive gaining months it has become the envy of the investment industry.

This record breaking period has produced a net return of 130.00% for members invested, and has dwarfed the returns produced by the benchmark (Dow Jones) which has posted a gain of 51.84% in the same period.



Better still perhaps is the fact that this investment has far exceeded its forecasted return fivefold.

We are just entering the month of October, and I am sure members are aware of October's reputation as one of the notoriously risky months to speculate in stocks. Given the current status quo on the world wide political arena, and stock market condition I would not be surprised to see a correction from current highs seen. We are holding a larger than normal cash position which reduces our risk, and yet importantly affords the Regular Account the opportunity to take full advantage of any buying opportunity which may be created from a market correction.

One clear and present danger is that during September Italy began creating a budget, which is controversial as it looks like the Italian Government wants to launch a massive spending spree. They haven't put pen to paper yet, but the Italian Coalition Agreement, a contract signed by both parties in government did commit them to certain deliverables that they have promised their citizens. However, this same budget needs Brussels approval. If that budget is rejected by Brussels, then the cat would truly be amongst the pigeons, and there are plenty of pigeons in Rome. The Italian coalition government has promised their citizens a lot and, if they announce to the Italian people that they cannot have any of what was promised because Brussels will not permit it, then tension is likely to lead to considerable political trouble. The net result would be a direct conflict between Italy and Europe, which could easily result in a knock on reaction throughout the rest of Europe.

Talking on the budget, the President of the Italian Budget Committee said it best; he pointed out that the situation cannot be resolved and it is going to erupt, and that was in reference to what was happening with Turkey. In the end the European Central Bank will have to come in with some form of rescue package. My comment on this is that Italy may not be too big to fail, but it may turn out to be too big to save.

To reiterate, active trading such as that utilized by RIO in this products investment strategy, is vastly superior to a buy and hold ethos. Active trading is especially useful if one seeks to limit downside risks in today's market; active trading is undoubtedly essential. However, it is important to remember that the Regular Investment Account is a high risk investment and, as such, can produce losses as well as gains.

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