



RIO CLUB Newsletter

R.I.O LAUNCHES NEW LUMP SUM FUND

R.I.O PROPERTY GROUP LIMITED



All properties are currently fully occupied with target rentals achieved or surpassed, the only exception being main street Golspie, where the Clydesdale Bank Plc made the

decision to vacate the property. However, their lease is fully binding meaning that the rental stream is unaffected. R.I.O informed the bank that our agent would be inspecting the property monthly, since the building is vacant. These inspections would be at the banks cost. We also require the central heating system to remain on at tenant expense.

As expected, on 11 December 2000 the bank offered 14,500 pounds to surrender the lease and walk away from their liability. Their request was immediately answered: "the offer would have to be significantly increased for them to be allowed out of their legal and financial liability."

On 6 February 2001 the bank approached our legal agents asking for them to submit a figure, which RIO would find acceptable, taking into consideration that this property formed part of a small property portfolio, which was acquired in February 2000 and the bank tenanted all buildings of which Golspie was the smallest holding with a purchase price of 34,000 Pounds. Having received one year's rental on this holding @ 3,750 Pounds. A figure of 30,000 pounds was indicated as acceptable for termination. Agreement on this would result in the book cost of the building being reduced to almost zero.

A response is awaited.

THE R.I.O CLUB is proud to announce the launch of The RIO PORTFOLIO FUND which will be launched on 30 of March 2001

Key Features :

- An Investment Process, which combines stock selection and portfolio management.
- USD based.
- Daily dealing.
- The Portfolio will consist typically of between 10 - 20 stocks.
- Maximum Stock Exposure 20% of Fund.
- Cash will also be used as an asset during times of markets Distress.
- Analysts in UK and USA providing research data.

The Investment Process Combines Stock selection with Prudent Portfolio Management Base.

Exciting Opportunity for all club members

After several months of negotiation R.I.O can finally announce that we yet again have set the standard for others to follow.

We are providing a unique opportunity for members to invest in our new fund having successfully negotiated special terms with the investment house for club members offering infinitely reducing costs.

This opportunity is currently unbeatable anywhere in the offshore market.

Further information will be provided on request.



Bad news is good news if you know how to use it to your advantage. 21% gain in seven weeks!

Lucent Technologies Inc. bought short at \$15.30 on the 7 December 2000 on the release of a flurry of bad news. It was sold on the 31 January 2001 at \$18.53, with a gain 21% in seven weeks.

The above stock again highlights the value of timing and analytical research. All members participating in the Club's stock portfolio will have benefited from the above. To any members interested in our stock portfolio, awareness of your interest is requested.

What has happened since our sell?

Lucent Technologies Inc.'s credit ratings were cut to within a notch of junk status by Standard & Poor's Corp. and Moody's Investors Service after revenue from the biggest maker of phone-equipment fell in the fiscal first quarter.

The outlook for Lucent is "Negative." The cuts within add to a slide that's taken the company to near below investment grade from among the highest-rated borrowers just a few months ago. Lucent can now no longer sell commercial paper, a type of short-term debt that companies use to ensure they have enough cash day to day.

The cuts follow Lucent's first drop in sales and operating loss in its five-year history as an independent company from former parent AT&T Corp. Its shares have plunged 69 percent in the past year.

Lucent shares fell 39 cents to \$14.97 in early afternoon trading. Banks are already treating Lucent as if it were rated below investment grade by requiring the company to back the short-term loan with assets.

R.I.O sold stock pick on 2 February with gains of 34.25% in eight days.

Members interested in our IPO up date will remember this one, recommended as a buy on 21 January 2001. Our fund manager bought this stock at \$8.97, holding it a brief eight days before putting the sell order in at \$12.00 the stock was sold at \$12.04. For those members who aren't on our current IPO up date list the following information is provided on a regular basis.

Peet's Coffee & Tea Announces Initial Public Offering

Jan. 25, 2001

Peet's Coffee & Tea, Inc. today announced the initial public offering of 3,300,000 shares of its common stock.

Founded in Berkeley, California in 1966 by Alfred Peet. This company is a specialty coffee roaster and marketer focused on selling fresh whole bean coffees through multiple channels of distribution, including specialty grocery and gourmet food stores, online and mail order, office and restaurant accounts and 58 company-owned stores in four states. They offer Java lovers 33 types of coffee, including 17 blends. Its teas run the spectrum from India black to herbal blends. The stores also offer items such as biscotti, mugs, and equipment.

The Players.

Who are the players? Starbucks co-founders Gerald Baldwin and Gordon Bowker bought the company in 1984. In 1987 they sold Starbucks but retained the Peet's chain. Baldwin owned about 31% of Peet's prior to the public offering.

Our sources lead us to believe that he will reduce his holding to about 15%.

Key People

Chairman: Gerald A. Baldwin, age 57, salary \$333,464.

President and CEO: Christopher P. Mottern, age 56 CFO, VP, and Assistant Secretary: Mark N. Rudolph, age 42, salary \$184,722.

VP, Business Development and General Counsel: Peter B. Mehrberg, age 42.

VP, Coffee and tea, and Secretary: James A. Reynolds, age 62, salary \$177,125.

Top Competitors

Diedrich Coffee

Farmer Bros.

Starbucks.

Market Listing: Nasdaq

Ticker Symbol: PEET

What The Analysts Say:

Analytical research coverage on Peet's Coffee & tea (Nasdaq: PEET) indicated, "buy" rating the 12-month target price as \$14 per share. Specialty Retail/Branded Consumer analyst Kristine Koerber cites Peet's strong brand, multiple sales channels and unique product positioning as key reasons for the recommendations.

"We believe that Peet's Multi-Channel distribution model has positioned it to

deliver revenue growth of at least 15-20 percent over the long term. By building a national premium coffee brand, not only through flagship retail locations, but also by smartly positioning the brand within specialty and gourmet food stores, the company should continue to drive revenue growth over the next several years," Koerber said.

Koerber added, "Infrastructure upgrades over the past several years position Peet's to expand its non-retail store channel growth with minimal future investment. Therefore, we feel the company is poised for significant operating margin expansion."

* Peet's Coffee & Tea Rated new 'Buy' at Pacific Growth by analyst Peter Swan at Pacific Growth Equities, commented that the 12-to-18-month target price would be \$16.00 per share.

Any members interested and receiving our IPO update please make us aware of your interest.



A widely watched barometer of future US economic growth surged last month, Allaying recession fears for now, at least.

The conference board said yesterday its index of leading economic indicators jumped 0.8 per cent in January after three months of decline.

It was the fastest increase in at least two years.

Seven of the index's 10 components including the average work week, jobless claims and the yield curve improved.

The results, which came as the dollar strengthened, bolstered hopes of a quick US economic recovery.



USA

down the tech heavy Nasdaq composite index toward two year lows, wiping out gains made in the wake of the federal Reserve's surprise rate cut in early January.

Some economists have warned that a recent surge in wholesale and retail prices threatens to compromise the fed's efforts to revive growth and confidence.

But the leading index is, in a sense, lagging behind.

Several components including stock prices and initial jobless claims have in recent week suggested the economy's relapse into a downturn.

Inflation and earning jitters have dragged

Bonds - Falling US rates positive emerging market and high yield bonds

Continuing weak economic data provides a helpful backdrop for bonds, but the market had already priced January's interest rate reductions. For government bonds to outperform in the coming months, we would need to see the US economy slide into recession a scenario which, while possible, is unlikely given the Fed's swift action so far. In the credit markets, falling US interest rates provide a more positive backdrop for high yield and emerging market bonds.

EUROPE

Europe - Limited effect from US slowdown

Dollar based investors suffered from a weaker euro during January, with the FTSE World Europe ex UK Index rising by 0.4% in dollar terms compared to a return of 1.5% in local currency term. While January saw some high profile European companies downgrade their sales forecasts as a result of the slowing US economy, it is believed that the Euro zone will be fairly resilient to the US slowdown and Europe remains one of our favored areas for investment for the time being.

The Euro in your wallet

Most people expect to part with large sums of money over the Christmas and New Year holiday season. But in the dozen countries of Europe's monetary union, as 2001 draws to a close, people will be preparing to part with entire currencies. "National monetary units will cease to exist at midnight on 31 December 2001", as the European Commission puts it. On 1 January 2002, brand-new euro banknotes and euro coins will start circulating. National notes and coins will cease to be legal tender soon after. The single currency, which has existed in electronic form since 1 January 1999, will also be available in physical form.

For everything to go right, the countries of the monetary union will need to pump 50 billion euro coins and 15 billion euro banknotes into their economies almost literally overnight. They have been printing and coining the stuff since mid-1999, stockpiling it in secret vaults. National central banks, acting on behalf of the European Central Bank, will make the first advance deliveries of notes and coins to high-street banks in September 2001. High-street banks will pass the notes and coins on to shops and other commercial customers between September and December. Individuals will be able to buy small advance quantities of euro coins from mid-December.

The stage will then be set for what the European Central Bank hopes will be a smooth handover at midnight and what many retailers fear will be utter chaos by morning.

TAXES REDUCING IN EUROPE

"War" is breaking out all over Europe and business will start to enjoy the fruits of it in 2001. The hostilities are over tax: income tax, corporate tax, capital gains tax, and fuel tax. You name it, and somewhere in Europe someone will be slashing it. Take tax on corporate profits. Ireland set the debasing trend with a low 28% in 1999. Germany followed in the summer of 2000, promising to reduce its rate from 40% to 25% over the next five years. France will slash its rates to 33% for large firms, and to 15% for small and medium-sized firms. Italy, Portugal and even Poland are all chasing them down. And as if blowing a raspberry at all this me-too-ism, Ireland now intends to cut its rate further to 12.5% by 1 January 2003. Ireland's tax on employee stock options will also fall, from 44% to nearer 20%. The big question is who will dare to follow the Irish down?

Buoyed by resurgent growth and years of belt-tightening, European governments can now afford lower rates. Most of their budgets will be in surplus in 2001. With monetary policy for most of Western Europe now controlled by the Europe Central Bank, tax is one of the few weapons left for governments wishing to attract investment and foster business. As more governments roll themselves back, those that don't will appear slack.

In 2001, Britain will still boast one of the lowest tax takes in Europe - 40.4% of GDP, according to the OECD. Only Spain and Ireland will be lower. But this will not last. Even Germany, that old big-government laggard, will have a take of only 42.4% in 2001, and that has further to fall. Fears in Downing Street that the EU wants to harmonize its tax rates (and force Britain to raise its taxes) will give way in 2001 to fears that Europe will outdo Britain by, audaciously, having lower taxes. And then what is a self-respecting pro-business socialist British prime minister to do?



Internet enabled vehicles; the hottest new toys are already available

The hottest new development in cars has nothing to do with horsepower or torque. It's all about wireless. Soon nearly every luxury carmaker will offer Internet-enabled vehicles, using embedded cell phones to access everything from e-mail and stock quotes to sport scores and traffic alerts.

Forget cruising along with the phone clutched to your ear. That is twentieth century, not to mention dangerous. And peering at that miniature screen on your navigational system or your handheld computer or your Internet-mode cellular phone will soon be low-tech.

Today's mantra for wireless driving is "Hands on the wheel, eyes on the road." And the key to that is getting rid of the screen altogether.

"We're shattering the idea of the keyboard and screen," says John Slosar of electronics giant Visteon. "The prime interface is voice. You talk to the computer instead of typing in commands. New voice recognition technology means that you do not have to speak like a robot anymore."

Visteon's ICES (Information, Communication, Entertainment, Safety, and Security) system is due on the market in the spring. Integrated with a car's phone and sound set up, includes a docking port, so you can download information from a hand phone, then take the device with you when you arrive.

Meanwhile, Cadillac has taken another step toward

modernizing its old stodgy image by becoming the first automaker to pre-install a web browser. Called Infotainment, it is available on the 2001 DeVille and Seville.

And this is only the beginning. With automakers competing to partner with software, wireless, and electronics companies experts predict that half of all new cars will be online within five years.

Horsepower? Are you kidding? Give me bandwidth anytime.



Technological breakthroughs are capable of gutting some of our most treasured rights

Western governments are interested in a miniature digital monitoring device that can be implanted directly into a person's body. Powered by muscle movement, this device would be capable of being tracked anywhere on earth via a global-positioning satellite system. Although the patent application stresses benign uses like monitoring Alzheimer's patients, it does mention in passing that the unit could be employed for law-enforcement and "security" purposes. It is also small enough to be inserted "inconspicuously."

This gadget is just the tip of a technological iceberg that is likely to change our collective notion of privacy and of the power of governments to watch over and control its citizens. In the USA, a Yale professor has been taking the implant notion a step further, working on a contraption capable not only of tracking, but also of influencing behavior. Such devices have already been implanted in the brains of animals, and the person controlling the mechanism can make the animal turn

right or left, or even be shocked into unconsciousness.

Similarly, currency can now be made with an embedded bar code and magnetic ink, so the bills can be tracked, or set off airport metal detectors, if carried in excessive quantities. Our national-security agencies are also working on a computer virus that could be sent through the Internet and identify and/or destroy any improperly possessed material on any linked computer. An Israeli intelligence agency has even reportedly developed an "anti-Semitic" computer game that would destroy the files of any computer user fool enough to want to play it.

These are, in fact, the ways of the future, but the old question of "Who will guard the guardians?" has taken on new meaning in this age of technological breakthroughs, which are capable of gutting some of our most treasured rights. The law speaks of "reasonable expectations of privacy," but what expectations are reasonable when government, corporations, private detective agencies, and even determined individuals are capable of intruding into our most intimate privacies?

As Microsoft honcho, Bill Gates, learned too late, e-mail is the worst way to communicate, if you do not want the government to read your private correspondence. The hard-wired telephone is a lot safer, though far from snoop-proof.

THANK YOU!

We would like to thank all members for introducing their colleagues and friends to our Club.

The Club membership increased by 10% last year.

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