THE RIO CLUB

28 December 2017

2017 REVIEW

As 2017 draws to a close for the festive period we end the year with our membership at an all-time high. As I look back at what represents a very encouraging trend in membership take up. This was in spite of 2017 being a year where expatriate numbers remain low due to the worldwide downturn in the oil business. Some highlights are presented as follows.

RIO Membership on a high

As highlighted above, the RIO Club ended 2017 with membership at a twenty two year high. In fact it must be pointed out that the club added more members last year than in either 2016, 2015 or 2014, this uptake on new membership representing by far the best year of the past four.

As a result, the year was closed just one member short of the four figure membership target number set in 2016 namely the elusive one thousand, the total membership at close of this year reaching 999 perhaps underlines the continued success of the club. With that achieved January 2018 will represent a new era for the RIO Club as we enter our twenty third year as the largest private investment club in Asia.

New products

Looking back we launched two new products in 2017, the Platinum Account (USD) launched in March, and the Regular Investment Account (GBP) launched in June. Both of these new investment products were offered to the membership on the back of the impressive success of their sister products, RIO Platinum Account (GBP), which witnessed a massive demand, and RIO Regular Investment Account (USD).

Club investment records broken

The Regular Investment Account USD set two new records in 2017, in doing so it raised the bar for a RIO product with back to back gains, and performance. The account producing 24 consecutive gaining months with returns which exceeded 100% net return for those invested over that period.

RIO Club sponsorship

Club sponsorship also increased to a 10 year high last year when we added an additional four venues to those we sponsor annually. This meant that almost every month we sponsor a new event which most likely partly accounted for the upturn in our new member intake.

Membership target breached

As mentioned the membership of 1000 was set in 2016, and is sure to be achieved in the first week of 2018. This means that we have achieved our earlier goal to breach a thousand members currently living or working in over 20 different countries which will mean more new products and additional staff recruitment next year.

No changes in fees for over a decade

The fact that we will not be increasing either our administration or management charge will be even more good news, these have remained constant for over a decade, this is yet another unique benefit of RIO which has set the club apart from most in the industry- since almost all investment companies sadly have significantly increased these charges.

Significant returns generated, with outperformance of the benchmarks return in 2017

Seven out of the eight investment products promoted to Club membership exceeded their set benchmark returns in 2017, and this is an outstanding performance overall. It is a testament to all those involved, our team of analysts, the administration offices and their staff, who have put in the time and additional effort, and our legal team, who also had their work cut out at times. As for myself I was happy to report a more than decent year investment-wise, and am glad to receive all the positive comments from our membership.

2017 in General

In January 2017, I was more than aware that the tumultuous events of 2016 would impact more widely. The main short term issue of that time was the pending EU elections, the result of which thankfully produced pro-EU mainstream candidates. Accordingly, the EU, ex UK, was and is left intact. Across the 'pond' was another story with the continued protectionist policies of President Donald Trump.

RIO projections on tighter monetary conditions in the UK and USA were proved to be correct, and arrived on cue. Hence their potential disruptive effect had already been taken into account which reflected in the lack of volatility in our product range.

My predictions made early part of the year were proven correct, namely that during the first two quarters of the year Sterling would remain weak. At the same time I had also stressed as the Brexit negotiations continue, and as clarity begins to emerge should there be a move to a soft Brexit we could easily see a rally in the UK currency. I ventured further- stipulating that in my opinion this when combined with the fact that from a technical position the pound was very likely to continue to test recent highs, during the third and quarter. This in turn began to underline and attract further attention to the fact which I had drawn members attention too in the early part of the year- the mighty UK pound at the time was the most undervalued reserve currency in the world.

I highlighted that as such it was an investment opportunity in itself, and commented that Sterling would likely push higher throughout the rest of 2107. I had several times said that there were many positives in the mix on the Sterling/Dollar front, for example US Policy supported a weak dollar, that being the case we could easily see the UK currency move even higher, I was confident that the pound rally could breach the 1.39 level.

My prediction that we would see Sterling gain ground against the US Dollar and move back above pre Brexit figures has been proved correct.

RIO were well prepared for the USD weakness seen in 2017, I would sight that in my opinion its likely that this trend will continue in 2108 due to the US Governments current agenda.

Global Markets

Gains in global capital markets appear attributable to a few key factors, higher US and emerging markets GDP growth, expectations of US fiscal stimulus in the form of corporate tax cuts, higher EU GDP growth, and good tech stock earnings reports.

Considering that this bull market is entering its eighth year, and the clear reality that the last quarter of 2017 presented market indicators beginning to signal trouble ahead, the obvious question is "how much longer can the bull market run?" My comment is that the signs of "irrational exuberance" were clear to see. To me the period resembled 1998-1999, another time when stock market valuations started to lose touch with reality. Fortunately, for those invested in our actively traded stock related investment products, these fully utilize stop losses, limiting downside.

That said, I still strongly suggest the use of insurance. This can be achieved by investing 20% of your overall holdings in Gold, ideally in Physical metal not paper gold such as GLD an exchange traded fund. Either of the RIO ARC Bullion Accounts would be ideally suited, these are physical metal but importantly they benefit from being actively traded which both limits the downside in Bullion, yet maximizes the potential gains.

A glaring feature of this bull market is that it is extremely binary in nature. Investment companies and private equity managers are all too swift to sell companies with slowing growth, average results. Markets also witnessed a period where the valuations on concept companies were lifted to excessive levels. The net result of such buying and selling behaviour is that this creates distortions in the market.

2017 - a year where quantitative easing headed for the exit door!

By summer 2017 both the US Federal Reserve and the Bank of England had signaled a turn towards higher interest rates, this change in policy being followed by The People's Bank of China, the Bank of Japan and the Bank of Canada.

Due in part to recent GDP growth figures and inflationary pressures, there was also a desire to cool the property markets. No one can ignore the obvious damage caused by nine years of a crisis era where interest rates became unbearable and, more importantly, were no longer politically acceptable. It is plain to see that quantitative easing created a two-track system benefiting asset rich/high debt individuals, but hitting pensioners/savers incomes, increasing generational wealth disparity (gaps), societal imbalances, and destabilizing the political consensus.

This ushered in to a degree, the arrival of far right nationalist/populist movements, even in Germany, and represented a growing problem for mainstream governments. The UK, in contrast, where the government was unclear in its direction and sending out mixed messages, saw a sharp swing to far left politics as the youth vote backed Labour's Jeremy Corbyn and his old-fashioned, out-of date ideas.

Ending the QE panacea was long overdue, perhaps excessively so. As quantitative tightening arrives, so will the arrival of higher interest rates, this will be a very strong brake on $276trn of global debt (Source: Institute of International Finance). Investors expect another ¼ point hike in the US and UK rates in the first half of 2018.

Finally I would like to wish all members and their families "A very happy and prosperous New Year".

William Gray
The RIO Club