



Investment Manager Comments

The RIO Silver Lining, an actively traded physical silver investment, has gained 4.13% since launch. To date we have seen three gaining quarters and one losing quarter, this despite the downturn in the silver market, resulting from a knock on effect of the recent actions taken by parties involved in the trade wars. It must be said that it is this same downturn which makes the metal a real buy today, given that silver is currently priced at or near this year's low.

In addition, the trade wars will soon be a thing of the past as the US is likely to taper off from their current harsh stance and enter negotiations with China, the world's second largest economy. The current position has helped "The Donald" win kudos in the upcoming primary elections. Once these are over, we should see a calming down effect.

Recent trading activity

After a brief rise in early July silver lost 8.38% in value over the quarter. By identifying the coming correction early I was able to sell 20% of our holdings at \$15.90 and a further 10% at \$16.16 on July 3rd and 9th before the fall in value occurred. I then positioned buys at \$14.71, \$14.67 and \$14.50 with trades placed during August and September which has significantly reduced the average cost of the silver currently held.

At present silver is both oversold, and arguably under-owned. Market indicators will come to identify this, which will then, almost certainly, shine a light on the metal causing professional investors to react. A further positive statistic is that fact that the current silver to gold ratio is high, the ratio adds further weight to silver's potential upside as we move through the rest of 2018. To clarify, when the silver to gold ratio is low, the opposite is true and usually signals a good time to buy gold.

Looking ahead, silver could perform well as investors and traders begin to focus on this market's demand fundamentals post the current trade war, which has had a negative effect on this market. Basically, once these trade disputes are resolved, this will in turn lead to a higher demand for silver, which has strong industrial uses.

Looking further ahead, should the projected infrastructure investment story play out in the USA, it bodes well for metals such as silver again adding weight to its potential upside. Simply, it is almost certain to rally above current prices in coming months. When the fundamentals are good but the asset in question is spurned, it is often a very good time to buy. With silver currently at \$14.65 it is a compelling opportunity; we should see it revisit and pass the \$16/oz level before we enter 2019.

My trading in July, August and September has positioned the account well.

William Gray
The RIO Club