THE RIO CLUB

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RIO ARC BULLION ACCOUNT (USD)

Investment Manager Comments

The RIO ARC Bullion Account (USD) has started 2019 positively with a gain of 1.56% during January, as we start the year on the right track. Statistically, since its launch, the Account has produced a total return of 70.93%, or over 14% per annum, on average. This is an excellent return, especially when you consider the risk reward ratio - which indicates the risk taken. The ARC Bullion Account (USD) remains the top performing bullion investment in the world in USD terms.

Gold - Looking back, the price of gold remained in range throughout 2018 as the general investor interest ebbed and flowed. However, just as I had highlighted and predicted the geopolitical and macroeconomic risks continue to increase, and as emerging market stocks came under pressure, bullion once more became desired. As the developed market stocks fell back and the sell-off which I had predicted some months previously materialised, the net result was a run to gold with its value rising by year end, by the close of 2018 it had rallied close to my predicted level of US$1,280/oz.

Looking ahead, I believe as we go through 2019 global investors will continue to view gold as an effective diversifier, a very useful hedge against systemic risk. RIO's analysis almost certainly points to higher levels of risk and uncertainty on multiple global metric fronts, such as market conditions remaining one of expensive valuations and higher market volatility.

Furthermore, there is the problem of very real political and economic instability in Europe and currently, after decades of globalization, more governments around the world seem to be embracing protectionist policies. I would remind members that such polices eventually increase the likelihood of higher inflation.

Protectionist policies are inherently inflationary, either as a result of higher labour and manufacturing costs or as a result of higher tariffs imposed to promote local producers over foreign ones. They are also expected to have a negative impact on long-term growth. Although so far investors have taken some of the trade war rhetoric as posturing, it is not without risk to restrict the flow of capital, goods and labour.

William Gray
The RIO Club