THE RIO CLUB

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# RIO ARC BULLION ACCOUNT (USD)

Investment Manager Comments

The RIO ARC Bullion Account (USD) posted +0.31% during February and also outperformed gold, which does not benefit from being actively traded, which lost 0.49%. Statistically, since its launch, the Account has produced a total return of 71.46%. This is excellent, especially when you consider the risk-reward ratio, which is an indicator of the risk taken to attain the returns filed. The Account remains the top performing bullion investment in the world, in USD terms.

***Gold and its place in an investment portfolio***

Investors realise the benefit of gold's role as a diversifying asset, in part due to its low correlation to most mainstream assets, and for its attraction as a hedge against systemic risk and strong stock market corrections. Today many mainstream investors see bullion as a store of wealth and as a currency hedge against fiat money.

It is important to note that gold has historically improved the risk-adjusted returns of portfolios. It can and often does deliver positive returns while reducing losses, and provides liquidity to meet liabilities in times of market stress. It is thus a valuable asset class to add to an investment portfolio, especially given the current geopolitical turmoil. Another advantage is that Bullion is outside the banking system. When your investment or pension is converted into physical gold, it is essentially being removed from the banking system and any counterparty risks associated with it. This has massive benefits should the financial system itself come in to question.

***Diversification***

Most experienced investors would agree on the relevance of diversification. I would point out, however, that effective diversifiers are not easy to find. Correlations tend to increase as market uncertainty (and volatility) rises, driven in part by risk-on/risk-off investment decisions. Consequently, the result is that many so-called diversifiers fail to protect portfolios when investors need it most.

To underline this, take for example, the period 2008–2009, the financial crisis. Hedge funds, broad commodities and real estate, long deemed portfolio diversifiers, sold off alongside stocks and other risk assets. This was not the case with gold; it was held through the period and not sold off. One reason is that gold historically benefits from flight-to-quality inflows during periods of heightened risk. By providing positive returns and reducing portfolio losses, gold has been especially effective during times of systemic crisis, when investors tend to withdraw from stocks

Looking ahead, as we go through 2019 global investors will use gold as a 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.

William Gray
The RIO Club