THE RIO CLUB

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RIO ARC BULLION ACCOUNT

This investment seems to have become quite a topic with our members so thank you to all of those who commented on my recent reports, I am pleased that so many have been stirred to email me on this.

To emphasize the fiat currencies position, every paper currency ever printed has eventually lost purchasing power against gold and this very clear throughout history. It is true to say that no fiat currency or paper, not backed by gold, has succeeded as a stable store of value, and yet no gold backed currency has ever failed. That perhaps says it all.

Currency printing is the only tool central banks have to fight the deflationary consequences of outsourcing , high unemployment, an ageing population, endless war and the interest payments on the debt they are creating. The currency crisis we are facing has created yet another period in history where we are facing paper currency debasement. The USD is coming under more and more pressure as the potential for a currency collapse looms in the background. I would advise members to hold up to 20% of their portfolio in the ARC Bullion Account, doing so will provide some protection from the carnage which could ravage both stock and currency markets in coming months.

<u>Why does the ARC Bullion Account hold physical bullion?</u>

The core attributes of any physical bullion investment are absolute liquidity and no reliance on counterparty risk. Not all precious metal investment products offer these core attributes and with so many different types of products available on the market it is easy to choose the wrong one as most have hidden charges.

<u>It is very important to know who owns the Gold</u>

There have been significant questions raised over the holdings of precious metals exchange-traded funds (EFTs). Since it is standard practice for authorized participants, such as banks and brokerage houses, to contribute baskets of borrowed assets to EFTs, the bullion therein may be borrowed. In the event of a 2008 style financial crisis, the lending institutions would have first claim to the gold, leaving shareholders in a precarious position. Members should avoid gold EFTs like the plague. Only gold products that do not compromise the fundamental attributes of bullion should be considered for investment.

<u>Proven Management</u>

Gold is the purest hedge against the financial system, which is currently in disarray. Gold is negatively correlated with all currencies and the equity markets. Members should gain further benefit from occasional hedging and market timing, since the account manager has traded gold bullion successfully for over fourteen years.

<u>100% Liquidity</u>

The ARC Bullion Account is highly liquid; it trades 24 hours a day, seven days a week. Bullion held in certificates or in EFTs, where liquidity is dependent on the market rather than the bullion itself, is one reason why these forms of investment should be avoided.

Provenance

When buying bullion you should ensure that it is stored on an allocated and insured basis. You should also know the exact weight, fineness and serial number of the bar(s) purchased or, if purchasing coins, specific details of which coins.

One benefit of the ARC is that bullion is stored on an allocated basis. It does not form part of the custodian's assets and may not be leased into the market or used in any way. In the event of bankruptcy or insolvency, bullion stored on an allocated basis is not subject to third party claims.

A Tier One Asset

One massive change in the world of high finance which remains little reported, is that gold became a tier one asset in January 2013. This was a big game changer; it meant that the financial system now recognized gold as money - a tier one asset! Prior to January 2013 gold was seen as a tier three asset, meaning that banks, governments and financial institutions, companies and those in a position to do so, could have only raised 50% finance or loans using gold as a security due to its tier three classification. Today gold is tier one and is treated as cash, this provides financial institutions and banks the opportunity to raise 100% finance or loans against gold when held as bullion.

Precious metals such as gold bullion are beyond the control of bankers and politicians as they cannot simply print more of it. Buying gold is therefore portfolio insurance against the failure of the policies and practices of banks and governments.

Demand

After nearly two decades of net selling, in 2009, central banks began to reverse a generational trend by becoming net buyers of gold. I predict that central banks will continue to be the largest buyers of gold over the coming decades; this will become commonplace as they inevitably have to accept the currency crisis ahead and be forced to look to diversify out of fiat currencies and into solid money, i.e. gold.

Today the Chinese government encourages its citizens to put 5% of their savings (and China has one of the highest savings rates in the world) into gold bullion. In 2013 Chinese and Indian buying alone accounted for all annual global gold production from mines. This demand for gold from the general public will spread to the west as markets begin to reveal the financial reality that the world economy is facing.

William Gray