THE RIO CLUB

11 March 2016

RIO ARC BULLION ACCOUNTS

The ARC's accounts have produced 11.32% (GBP) and 8.96% (USD) gains respectively in just two months.

An interesting point which is often over looked is that, as demand has been rising, annual gold mine production has barely increased, by only 1% (the slowest rate since 2008). This becomes more important when you add that recycling activity has also fallen steeply to multi-year lows during the 2012-15 period. The above will lend further support to the price of gold through to the end of the second quarter of this year; this just as the support level becomes further bolstered against a background of increasing demand for physical bullion. In short this is good news for gold.

The following are further facts on the demand for physical Gold:

On the consumer demand front, as stressed in my previous report, this has remained resilient over Q4 2015. Indeed the World Gold Council 2015 data clearly concurs with my findings that gold demand was very resilient. In fact, despite some negative comments by mainstream press who miss read the market, the demand for bullion was almost unchanged (-0.3%). What that translates to is that buyers kept buying, perhaps encouraged by the lower average price (-$106.30 / oz) over 2015.

Tonnes	2014	2015
Jewellery	2,480.8	2,414.9
Technology	346.4	330.7
Electronics	277.5	263.3
OtherIndustrial	49.0	48.6
Dentistry	19.9	18.9
Investment	815.4	878.3
Total bar and coin demand	1,000.5	1,011.7
Physical Bar demand	725.2	731.6
Official Coin	203.0	212.6
Medals/Imitation Coin	72.2	67.4
ETFs & similar products	-185.1	-133.4
Central bank net purchases	583.9	588.4
Gold demand	4,226.4	4,212.2
London P M fix, US$/oz	1,226.4	1,160.1

The numbers above simply confirm comments made in the previous reports. It also highlights the outflow of Gold ETF's in favour of physical gold, just as forecast last year. The mainstream press had highlighted chronic product oversupply and dependence on China and that may indeed be a key factor for base metals. However, I would stress the point that it is very important to note this is not the case for gold (supply +1%/ demand -0.3%) through 2015.

Looking ahead, I forecast that during 2016 the demand will continue and in doing so outstrip supply. This will add to gold's recent upward trend which, in turn, could lend crucial support and underpin the recent prices and fuel the rally.

Members don't miss this opportunity - BUY ARC bullion account Sterling and ARC Dollar as both have limited downside.

Especially given that both ARC physical bullion accounts are highly liquid investments. Both the USD and Sterling versions remain the world's best performing physical gold bullion investments (of any kind whether the structure is a gold based mutual fund or unit trust or ETF, even physical storage all lose out to the superior ARC product) in terms of return in their respective currencies. Members may take further comfort that I will go on record stipulating that both will continue to outperform physical bullion in bar form throughout 2016.

Since launch, in terms of absolute return, both ARC accounts have significantly outperformed physical buy-and- hold gold (in kilo and 12.5 kilo bar form). More importantly they have dwarfed the returns seen in returns produced by any of the gold bullion ETF's, since these lackluster products simply track the given value of the underlying gold assets. ETF's even charge a premium for the privilege this is for sure not where the smart money would be.

The ARC is a convenient way for members to obtain exposure to physical gold assets, without individually being burdened by the additional singular costs of gold ownership (storage, insurance, lending activities). Given that one can also benefit from the trading element, when invested in ARC bullion accounts, resulting in the minimizing of potential loss and maximization of potential gains, good sense would not favour buying gold and holding the physical metal oneself.

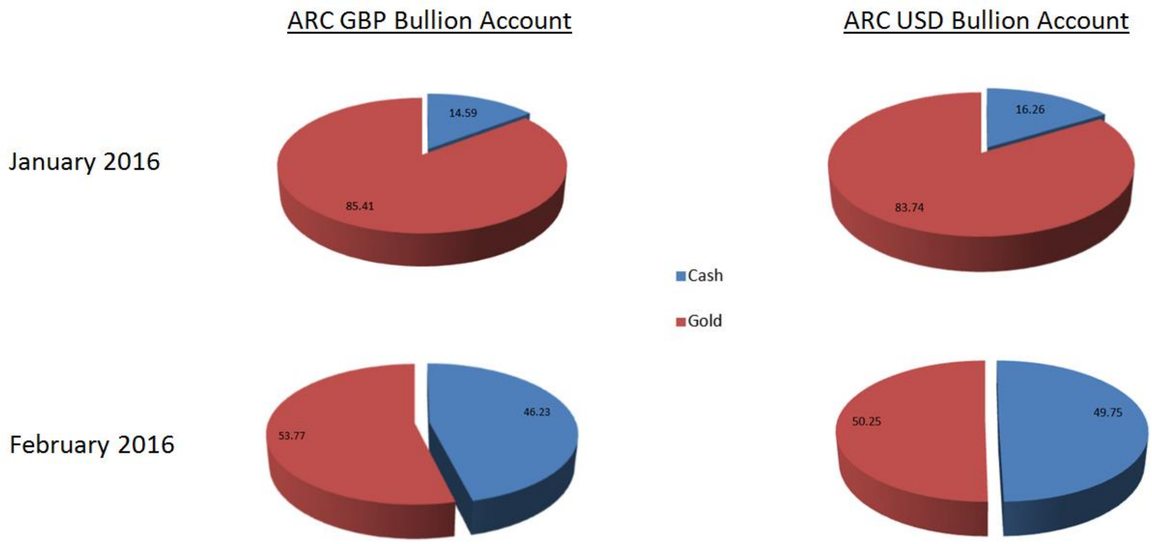
Notwithstanding the obvious, when a member utilizes the ARC the costs of storage and insurance are shared by all invested and thus are far lower than one would pay investing alone. To obtain a similar cost structure to that of the ARC, an individual investor would personally require an initial holding of + 800,000 ounces.

	ARC GBP	**ARC USD**
Share Price (01/03/16)	138.77	138.73
52 Week High	138.77	138.73
52 Week Low	112.8	120.09
Yield Since Launch (%)	38.77	38.73

Key Catalysts for gold bullion in 2016

There are numerous potential catalysts for gold that would impact its price:

1. A nervous period prior to the June 23rd UK referendum, encouraging diversification out of STG and EUR assets, thus helping gold value.
2. Poll gains for Donald Trump ahead of November 2016 Presidential election- a possibility
3. Expansion in EU and Japanese bond purchases, more quantitative easing, which is likely
4. Reductions in nominal interest rates / negative nominal interest rates, just announced
5. And last but not least the continued escalation of currency wars and devaluation of paper money.



Above are the pie charts for both the Sterling and Dollar ARC Bullion accounts and members can clearly see the allocation percentage change from January 2016 through February 2016.

My expert opinion is that gold has risen too far too fast. As with all assets which produce back to back gains too fast, they become potentially overbought, e.g. at $1,280 or indeed at Stg 880. Accordingly, I have already set requisitions for physical bullion to maximize gains. Last month's sell order was simply to minimize potential loss, yet provide the opportunity to reacquire gold on my forecasted correction.

Several technical factors influenced my decision to sell- including the fact that trading volumes had fallen significantly at the end of last month, indicating that institutions had stopped buying and are waiting for market direction before adding to positions or indeed more likely they were set to take profits. I expect to reinvest 50% of recent sale gold this month as we approach the Fed meeting, which is scheduled for 16th March, when institutional investors will gain some clarity from Mrs Yellen and her plans - not the smoke and mirror comments prior to the Fed's announcement.

Although the market has priced in a 2% chance of a Fed rate rise, the new Fed chairwoman has executed exactly the opposite before, namely when she increased rates in December 2015, with predictable results. Should she do so again there would be a severe negative reaction on the stock market and a conversely positive one for safety assets, such as gold. I believe that no rate rise will be seen this time round so sold on that assumption, expecting a consolidation and, more to the point, a correction of 2-3% in the gold price back close to $1,220 in dollar terms, following which gold is very likely to see a rally back to $1,280-$1,290.

As members know, I have traded gold for over twenty years, having designed and launched bespoke physical bullion products. Filed statistics show that I closed 70% of RIO's previous gold positions on 12th September 2011 at $1,830, having correctly predicted the bull market was running out of steam.

During September 2011, the membership was also advised to sell any and all gold positions they might hold themselves as I was certain that the market would turn bearish. Gold indeed fell back to

$1,566 an ounce at the end of the year. By Oct 2013 Gold was again attractive and holding its ground at around $1,300, when it was time to re-enter and launch the ARC.

Those invested and considering investment to our bullion accounts may find it even more reassuring that I have amassed hundreds of profitable trades in physical bullion over the past two decades, which when combined with recent trading profits of both ARC bullion accounts do I even need to mention that both of RIO's bullion product remain the top performing physical gold products in the world.

The ARC's one-of-a-kind investment and trading strategy has led to extremely attractive gains in either a rising or falling gold market. The investment opportunity in gold is most definitely there because the product is still open; if there were no further potential to gain profits, I would as always close the products and instruct investors to surrender their holdings, unlike most investment companies which simply let the investors lose money saying it's the investors choice to buy or sell.

The statistics from 2001 to 2011, confirm that the physical bullion strategy applied returned a gain of over 630%. Even better, during the financial crisis from 2008 to 2010, this strategy outperformed physical bullion as it continues to do today with the ARC our latest bullion products, the first of which ARC USD bullion account was launched October 2013. ARC Sterling Bullion account launch a year later due to the strong membership demand.

Gold is once again beginning to hit the mainstream press. As this filters through to more and more financial TV channels this will likely see the return of herd investors who had previously pocketed massive returns in gold last time out 2001-2011.

This market could see a strong buy signal, will history repeat itself as the gold rally gains momentum and weight? Whatever happens the ARC accounts are ready to both net profits and limit losses.

William Gray
The RIO Club