



First, thank you to all those members who have commented on the ARC's first quarterly update and a special welcome to both June and Dennis, who came on board last month.

Physical gold moved negatively losing -2.51% as RIO's ARC produced its factsheet. This showed that the ARC achieved its objective, which is to outperform bullion in bar form. That said the ARC also experienced a correction but significantly less than that seen for the bar form; it posted -1.18% for the period. Not all gold is equal! Gold coins are the best form of bullion investment for the many reasons highlighted previously.

What lies ahead for Gold? I predict that with coming announcements there is life in the old bull yet. Obviously any further escalation of the Ukraine crisis will positively affect the price, as will the differing values of paper gold and physical gold, as mentioned in the last update.

But the big story and the main driver will come from China's impending announcement on their Gold reserves. This imminent news story will be very important and will certainly affect the gold market. When China officially reports, its current gold reserve status the figures announced will hit the market like a thunder ball, causing an upsurge in gold's value!

For those who have remarked that, although thought provoking, how could China achieve concealment of the importation of vast tons of gold? Naturally, while China is clearly accumulating massive amounts of gold, it would be virtually impossible to keep the entire matter secret which is why there have been a few published articles on China's secretive purchases. A couple from the mainstream press are as follows:

CNN interviewed Boris Schlossberg, then the Director of Currency Research at Global Forex Trading. He commented:

"China is considered a stealth buyer of gold. As the world's largest producer of this commodity, China regularly buys gold from its mines and doesn't report those sales publicly. Analysts suspect the country is continuing to buy gold and could in fact, be the world's largest buyer recently.

They have no desire in revealing their pro-gold stance. Announcing an aggressive gold buying spree would not be in China's best interest because it would likely push gold prices higher. Of equal importance is that it could devalue the U.S. dollar, which would subsequently lessen the worth of China's portfolio of U.S. government bonds."

Forbes ran a comment made by William Purpura, considered to be one of the world's leading authorities on the subject and formerly the Chairman of the COMEX Governing Committee. He said that China makes a practice of camouflaging its gold purchases. They simply do not report them, so as not to affect prices in the market.

Further data

My further comments on this matter are compelling.

China have signed agreements with a U.S. company which has been literally assisting the Chinese build a gold stockpile that will affect the US dollar. This company is Coeur d'Alene mines who are selling gold produced at a huge new Alaskan mine directly to the Chinese. The gold concentrates

produced at Kensington are to be processed by China's largest gold producer China National Gold. This agreement is the first of its kind between a state-owned corporation of the People's Republic of China and a U.S. gold producer.

More intriguing perhaps is the fact that China offered the company an unmatched agreement. It is commonly known and accepted that gold producers have to wait 3 months while gold is processed and refined to receive payment. This unique agreement with Coeur d'Alene stipulates payment within **seven days of shipment** for raw "gold concentrate, which is extraordinary! This breaks all market norms and indicates China's huge desire for the commodity.

If China is going to continue to purchase massive amounts of gold, the last thing they want to do is make this information public, until really necessary. The less said the better as this means cheaper prices as they continue to acquire and stock pile this commodity. I hope this both clarifies and answers the questions posed following my first quarterly update.

I predict that China is trying to completely corner the gold market. This is being achieved by massive and secretive government purchases of not only physical metal, but also through the acquisition of gold mines not only in China, but all over the world.

The Chinese government have, as I said, been in the process of buying stakes in all of the best gold mining companies around the globe. For example, many investors would be rightly surprised to know that the government's China National Gold Group Corp (CNGGC) owns about a 40% stake in an overseas investing arm, China Gold Intl. Resources Corp (listed in Toronto: CGG). China National Gold Group continues to acquire more gold assets in Canada, Australia and Africa. In a recent move it potentially bid to take over the \$1.7 billion Platreef mine in South Africa from a Canadian company, Ivanhoe Mines. It has also acquired a 95% stake in another Canadian company, Mundoro Mining.

Furthermore, the China Investment Corporation, which manages \$575 billion worth of government money, has major stakes in some of the best mining companies in the world: AngloGold Ashanti: 100,000 shares, Kinross Gold Corp: 250,000 shares, Goldfields Ltd: 350,000 shares, Teck Resources: 101 million shares. These 2010 figures were the best obtainable, the last time this secretive "sovereign wealth fund" revealed their holdings to the SEC. A well educated guess would suggest that further stakes have been acquired.

Then consider that China's biggest state-owned gold companies are also acquiring and purchasing equity stakes in several dozen other gold mining firms. In 2012, Chinese government-owned Shandong Gold Group (the 3rd biggest producer in China) bought a controlling stake in Australia's Focus Minerals for \$228 million. Further, state owned Zijin Mining Group (China's biggest gold producer by market value) said it would spend as much as \$2.6 billion a year on Gold related acquisitions.

Zijin recently gobbled up Australian gold miner Norton Gold Fields, and took a 60% stake in the gold company called Altynken LLC in 2011. Also the Chinese government, via Zijin, has already bought major stakes in a slew of gold mining companies in recent years, including Long Province Resources , Gold Eagle Mining, Inter-Citic Gold. Zijin have even targeted Iamgold (IAG), who are one of the largest gold producers on earth, with a market value of \$2.4 billion.

Members should note that Bloomberg have also reported that China's Gold mine takeovers and asset purchases by producers based in China and Hong Kong rose to a record \$2.24 billion this year, beating last year's record \$1.96 billion.

And these are only the deals that the Chinese government have had to make public due to certain legal requirements. The Chinese government has dramatically changed the gold market within their own country, but also most importantly they are having an impact on the international gold market.

Considering the gold that China already declared back in 2009 as their reserve, coupled with its recent monumental acquisitions of this commodity, the Chinese have now no doubt achieved their goal to become the nation with the largest gold reserves on earth. Their next move and perhaps the most important part of their manoeuvre is to announce this! At this juncture, the Chinese will displace the long-entrenched USA from their dominant position. Becoming top dog the Chinese will have cleverly brought the role of the US dollar and its status as a reserve currency further into question. As the nation which now has the largest gold reserves in the world, the Chinese will have proven that they are, if not in due course, the major player going forward in world affairs.

Remember also that China has been promoting gold bullion ownership to their colossal population for over seven years now. They have bombarded their citizens with massive TV and media campaigns mostly run by the state. This would be a convenient way of adding to the country's reserves as the state could simply say – we need your gold, sell your gold to the country in the interests of the people. Let's not forget the USA did this back in April 1933, when they issued executive order 6102 criminalizing the possession of monetary gold.

Chinese activity on gold in the past few years is arguably one of the most important events in today's world, making use of the fractured form of western-based trading norms. The golden rule is that he with the gold rules!

For those still contemplating The ARC as an investment, I would simply say; protect your portfolio from the flood of fiat money by investing a percentage of your portfolio.

William Gray

The RIO Club