



The Fund gained 2.94% this month to end the year with an annual net gain of 8.35%.

Although 2015 witnessed much market volatility, due to the repositioning and reweighting exercise RIO Professional was able to produce no less than 10 gaining months in the twelve month period. As the fund manager, my actions taken to reduce the direct stock holdings of the Fund to zero from the historic 4%-5% has already shown its worth, this month the stock market has seen increased volatility - just as I had predicted in Octobers report.

The most important factor is that had I not taken action to reduce stocks to zero, any stocks held would have been negatively affected and in turn would have had a negative impact on the Fund. Fortunately prudent action protected the fund which was unaffected by Decembers market sell-off. Better still is that the proceeds from stock sale were utilized to increase the Funds weighting in UK property assets, which benefited the fund. Facts show that the UK property market has produced positive results for the Fund throughout 2015, just released statistics indicated that the market was very buoyant as can be seen by the UK mortgage lending data which revealed that 2015 had the highest recorded processed applications for seven years, according to the Council of Mortgage Lenders. The figures reveal that homeowners borrowed £220.3bn this year, up 8% on 2014 but more importantly the highest since 2008's total of £247.8bn.

As for next year, I predict that the stock market will have a volatile start to 2016, and this volatility could last well into the second quarter of next year. Accordingly, property is likely to benefit. As a hard asset it is perceived as offering safety and with a run to safety coming you can expect further gains in this asset class hence I increased the weighting within the Fund.

In short, predicted volatility and subsequent reduction in risk assets ensured the Fund ended the year with no unpleased surprises, indeed exactly the opposite was achieved as the Fund ended the year recording the highest monthly gain in over five years. The Fund now holds 59.46% of its asset class in fixed return assets and with 26.54% in UK property this new asset weighting has Professional ideally positioned in low risk.

The good news is that the current asset allocation has the Fund sheltered from my forecasted stock market fall, transversely the current holdings would profit from a run to safety (fix return assets and hard assets will benefit) this is very probable should the market be spooked further. I believe the market will be vexed and as such I predict that January will be even worse than December for the stock market.

Why am I almost certain that market will see further volatility?

The markets will likely fall further due partly to the Feds first rate rise in nearly a decade, not to mention the various geopolitical threats which include the likely Saudi/Iran escalation which has already begun to spook the market. This will put further downward pressure on oil at a time when this commodity has already fallen over 50% in past two years nearing 12 year lows and with oil currencies already under pressure the markets were still in turmoil. This US rate rise simply makes it worse.

The dollar will rise in expectation of further action by the Fed that seem oblivious to the effects of a rate rise; however, I believe that this raise was too early and that recent market falls will likely restrict further rate rises by the Fed, this in turn will see some retracement. Should my market forecast be proven correct another effect of the reaction to an announcement that rates are on hold would be that UK Sterling will likely move from its current 1.41 to above 1.43 and this again will benefit Professional Investors Fund since its current weight in Sterling based assets is 63.79%.

For any member feeling that the Fund is too risk averse consider the following, 2015 marked the first time since 1932 that all major economies had sub-2% inflation. My recommendation is to get out of the stock market and invest in low risk before you lose money.

William Gray
The RIO Club