



This account ended 2015 as the top performing physical bullion account in the world in USD terms! It retained its position for the second consecutive year. It produced a December gain of 1.04% contributing to an impressive annual gain of 15.56%.

This performance places this Account at the top for the second year running. It is the world's best performing bullion investment in 2015 in USD terms. That being so, RIO now holds two of the top performing bullion investments in the world in terms of returns, whether in Sterling/bullion or Dollar/bullion.

Put in perspective, the Account has outperformed physical gold kilo bar returns by an amazing 26% during the 2015 twelve month period. The account produced these returns with little volatility, producing no less than 10 gaining months with only two months in negative territory. It outperformed both its benchmark and its target return and all comparable physical gold investments in the world for the second year in a row, whether in the form of simple stored bullion in bars, physical gold mutual funds or similar unit trusts, or the much publicized Gold ETFs, most of which only mirror the gold price.

The demand for physical gold during 2015 remained strong. A change of sentiment towards physical gold over ETFs looks to be occurring in the USA, as the demand for gold bars and coins reached the highest levels seen in the past five years. This naturally lends weight to our resolve to invest in physical metal, not paper. As for central banks they remained significant buyers in 2015, as predicted. Indeed several were net buyers for the 19th consecutive quarter. Members should not be surprised, therefore, when I highlight that overall demand has risen year on year by 8% to 1,121 t.

Looking forward to 2016, I predict that stock market volatility will continue, especially given the Fed's rate hike, which has added to market jitters. This rate hike puts further downward pressure on oil, which is already near a twelve year low and, factoring in the current production and stock surplus situation, there is likely to be a very volatile start to markets in 2016.

Add to the above the negative effect of all of the above on oil currencies and the outlook is poor. Furthermore, the Chinese Yuan's devaluation will also plague markets in the first half of 2016. I am anticipating a run to safety, the impact of which will see gold move higher and likely revisit a value of \$1,150 or above. Should it break through this figure we could see a return to \$1,200 during the first quarter of 2016.

Gold as portfolio insurance

When any investor asks my opinion over investing in gold today, I always advise against hesitating in a world of increasing geopolitical threats, including the recent addition of the Saudi/Iran stand off. This is against a background of ailing oil prices now approaching a twelve year low. This fact along with continued over-production and storage facilities, which are nearing full capacity, all simply paint a negative position, but a positive one for Gold.

All of the above when married with the impact of the first Fed's rate hike in almost a decade will simply put further pressure on the price of oil, in turn causing widespread problems for oil currencies. In the current market investment portfolio insurance is surely a must. Gold is ideally suited to this purpose and was one reason why the ARC Bullion product was introduced to membership.

Looking forward to 2016, I see gold moving higher on the back of all of the above, while investors seek safety. I say again that the market will see heavy volatility. Should there be a significant fall in the stock market, the Fed is likely to have second thoughts of introducing a further rise in interest rate in the first half of 2016.

This account may well produce a 'hat trick' in 2016, i.e. producing three consecutive years at the top. Should RIO be successful then this would be a very rewarding achievement, the club would certainly become revered by the bullion industry!

Investor warning

There are more problems brewing for the oil patch which will come to the surface in 2016.

Bankruptcies are starting to emerge in US based energy companies. My prediction is that this is just the beginning and there will be many more on the way next year. To get my point home this is not a few hundred million dollars of bad debt but a tidal wave running into billions, an oil fracking failure, which in turn could fuel a debt crises in the USA should I my research be proven accurate.

My recommendation is that the RIO ARC Bullion Account is a strong buy in current market conditions for investment portfolio insurance.

All RIO lump sum investment products will benefit from any further turmoil in the stock market.

William Gray
The RIO Club