RIO REGULAR INVESTMENT ACCOUNT

The Regular Account lost ground following the stock market sell-off this month.

The Account's two top holdings remain Baker Hughes and Tesco, both of which have been very actively traded since their original acquisition.

The two top holdings have also seen several alterations to percentage weightings in the past few months, this has limited the downside for the Regular Account and its 100% invested position to stocks, and in particular the main assets above.

In addition, the main assets have been actively traded throughout 2015 which has in turn resulted in the substantial reduction of the book average cost of both these stocks. The most recent example of this being the additional buy on the 14th December adding to the position held in Tesco stock (bought at 143) and again adding to this trade on the 22nd (at 144) which brought down the book cost of this holding even further. Despite the above actions, given that both stocks have continued to underperform to date, the Account has in turn continued its downward trend.

The Account has, however, acquired additional shares at a lower price in both stocks, averaging down the book cost as the Regular Account is committed to these stocks, both of which I know very well. Those holding investment in the Regular Account should note that Tesco is one of the UK's best covered and reported on stocks giving more than enough data to trade efficiently. With this month's Christmas trading the super market giant is likely to produce positive results, as such some upside is expected when numbers are made official. I am confident that we will see Tesco begin to breach the accounts book cost of 170, especially considering the expected good news on Christmas numbers.

Tesco Stock

The stock has fallen almost a third over the past 12 months. I have averaged down the book cost of the stock on every possible occasion and, that being so, the regular average cost now stands at 175, not far off today's price. This average book cost is not high; note that in December 2013 this stock was trading at over 300.

Baker Hughes stock

Taking profits in Baker Hughes by selling 10% of the total stock position in November proved to be the right move. Baker Hughes has seen a hard December, due mainly to the market growing increasingly concerned about the pending merger with Halliburton, with investors worried that this would not be approved by regulators.

When this was coupled with falling crude oil prices, further downward pressure was put on this stock, as the global oil benchmark price slid another 16% to $37 per barrel. The primary bone of contention has been that the merger would significantly widen the gulf between the combined entity and top oilfield service giant Schlumberger.

Halliburton is attempting to remedy the competition concerns by pursuing asset divestitures. Despite these concerns, Baker Hughes and Halliburton agreed to extend the merger deadline until the end of April, in order to work through a few more proposals with regulators.

Looking ahead, as I mentioned above I am happy that I took profits in Baker Hughes during November reducing the overall position by 10% this month I sold a further 7% to lower the accounts downside risk, as the current situation has created a lot of uncertainty. This uncertainty could continue to weigh on the stock until a conclusion is reached.

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