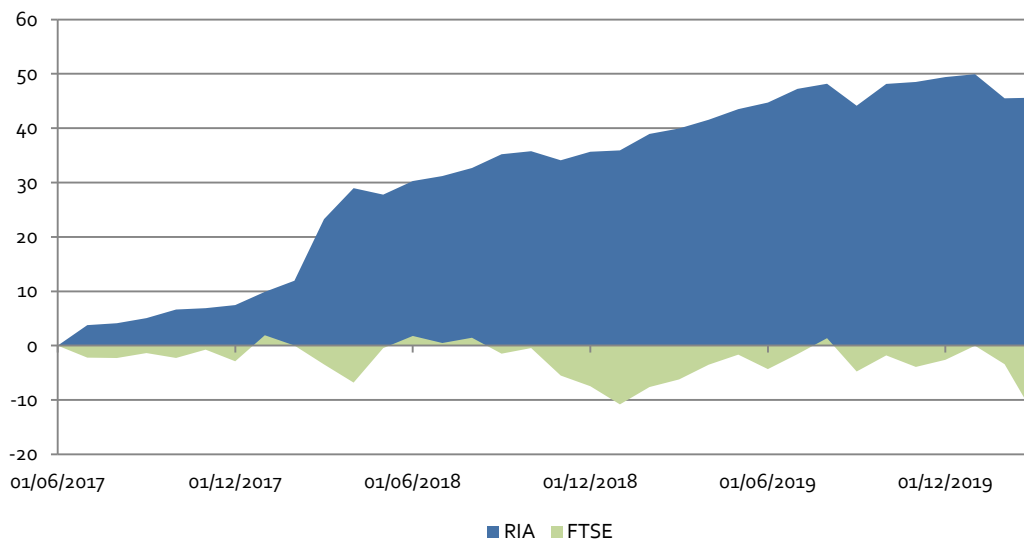




The RIO Regular Account GBP held its ground, with a slight gain of 0.08%. The gain was a direct result of me seeing trouble brewing and taking action to limit any down side. This was done by selling all assets which were in profit by the 20th of the month, importantly moving both the profit and original capital back to cash. Looking back this swift action protected those invested as the UK stock market witnessed a sell-off and major market correction.

The exodus which made stocks plummet around the world was caused by a building concern surrounding the potentially negative effects on worldwide business, and the fear of the financial consequences from the spreading coronavirus.

The UK stock market plummeted 9.68% in the month as it priced in the presumed effect of the virus, fear and panic selling then took over pushing values down.



During February there were many retail investors who lost their shirts in the sell-off, such investors may now fear even buying stocks at these low prices. Retail investors generally prefer to buy pricey stocks in a rising market. The negative headlines have definitely spooked the market, but for professional traders this is actually good news, as it adds to the stock prices moving lower; this negative creates an ideal opportunity to invest at far lower prices. It is in essence a good thing as stocks were overpriced. The market now is set to see further volatility which active traders such as myself will use to average back in. The order of the day being, as always, buy fear and sell euphoria when stocks start to recover!

During February very few investments made any headway as the London Stock Exchange was awash with losses, the FTSE 100 had now fallen further into correction territory. At the time the UK market was not the only market in the red; stock markets around the world were losing almost 10% from their peak just a day before.

Some traders, many buy and hold investors, lost heavily in the carnage of the devastated stock market. The very threat of a pandemic to upset the global supply chains and the economy had clearly spooked investors, who feared the worst. With sales engulfing markets, those selling were taking a hard hit on their annual returns.

Buy Thursday, February 28th the US market closed sharply negative as the S&P 500 registered its largest percentage drop in eight and a half years. On a positive note, RIO Regular had not lost a penny as I had taken action to sell prior to the onslaught.

Trades closed during February:

- Barclay Bank stock acquired on the 4th February was sold at £179.50 on the 20th, as it seemed to me that fear was building in the market, I decided to take the profits and capital back to cash. This action had importantly protected the overall down side risk of the account at a crucial time. This was the right decision, as stocks tanked.
- Virgin Money UK stock was acquired for the account on the 4th February at £172.05. The total position held was sold on the 20th at £183.90, again taking profit and capital back to safety.
- Barrick Gold was acquired on the 4th February at 17.42 and was sold on 19th February at £21.00, taking both profits and capital back to cash.
- I decided to average down adding to the account's position in Lloyd's Bank stock on the 27th February as the bank stock fell close to a two year low buying at £50.23.

Looking back, the recent stock market mayhem has, to some degree, created a buying opportunity, as looking forward there can be little doubt that the UK has entered a new era in its history. It may be interesting to note that our analysts agree that we could well be set to see a resurgence as we move through late 2020. Even with all the negatives the UK economic survey data has remained conspicuously resilient despite the spreading coronavirus.

Recent figures from Nationwide had reported a 0.4% month-on-month improvement in house prices, or a 2.3% year-on-year rise, which was strangely in line with market expectations, but importantly up from 1.9% on January's figure. I would point out that this was the strongest number posted in the past 18 months. The above should be especially encouraging for those just invested in the club's third version of RIO Property Group; this product being yet again a five year fixed term investment which was launched in October 2019.

As an investment company RIO are perhaps unique, with seven out of the nine investments managed by RIO posting gains in February's market meltdown. I was not surprised this month to see that the Club has had several members refer family and friends. This is exactly why we continue to see membership expand.

William Gray
The RIO Club