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Regular Investment Account Manager Comments

Despite prudent actions the account ended the month down 2.12% as the two top holdings (Tesco and Baker Hughes) both witnessed volatility. The August stock market crash obviously had a negative effect, most would have expected this given that the Regular Investment Account holds almost 100% of its assets in stock.

Action taken to reduce the exposure to Baker Hughes in July combined with the subsequent repositioning in August at \$48.26 a share proved to be rewarding. Prudent management directly lead to this holding ending August in a positive position (given that the stock closed August higher than our average acquisition price). In US stock market terms Baker Hughes stock actually lost ground falling 3.69% for the month and ending August at \$58.60. Bad news for those who buy and hold!

This stock holding is now well positioned to post profits. The Tesco stock value fell 11.28% as it bore the full brunt of Augusts stock market volatility. Some analysts feel that the stock is oversold, down 53% over the past five years. When you consider the fact that 25% of that drop came in past twelve months it puts it in to perspective. Can Dave Lewis, Tesco's new boss, turn this around? On the positive side Tesco remains a power house being the dominant grocer with a 28.3% market share.

Good news was expected as a bidding group led by private equity house MBK Partners Ltd was close to agreeing a deal to acquire Tesco's South Korean business for around \$6.0bn including debt, but Asian markets crashed along with the Korean currency right in the middle of the deal.

William Gray  
Account Manager