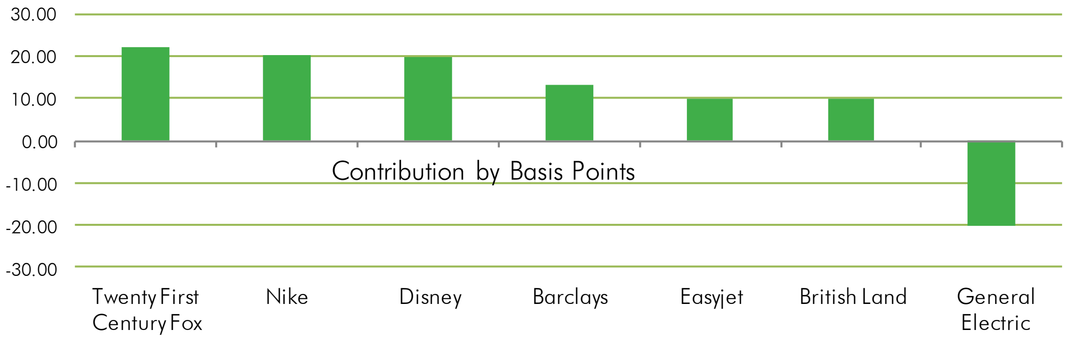
Top Movers



Top 5 Countries	
United States	56.15%
United Kingdom	20.66%
Germany	3.31%
Jersey	3.22%
France	0.50%

Twenty First Century Fox, + 22.41 bps

Fox has been an exceptionally volatile holding over the last two years which explains why we have a relatively modest 1.7% holding in it but this month, despite its modest weighting, Fox tops our winners chart with a solid 22 bps return. This follows a decision from the management to effectively open the Company up for offers after acknowledging that it will be difficult to achieve the critical mass required to remain a serious player in the evolving media market. Whilst we have enjoyed the rally this month, takeover plays are not the natural hunting ground for the Orchard Fund and as such, we are content to allow our January 31 call, which is currently 3% in the money, to run its course and for the stock to be called away from us. We considered closing the trade early, but with over 3% of time value left in the option and only 49 days to go including the Christmas break, we are content to let it run.

Nike, + 20.28 bps

Nike appears in our top movers for the second consecutive month contributing a further 20 bps. The apparel sector has been under pressure for some time and the trend for “Athleisure” clothing looks to be on the wane. In addition, it is becoming increasingly difficult for brands to maintain their premium pricing in the face of the Amazon effect. To counter these negative trends, Nike is trying to undertake a massive transformation to stay relevant and initial signs are encouraging. However, we are minded to recall Warren Buffet’s quote that says when a manager with a good reputation meets an industry with a bad reputation, it is normally the industry which leaves with its reputation in tact. With this in mind, we have been reducing our exposure to this holding throughout the month and now have a notional exposure of 1.75%. We have written the January $60 call which may see us lose our holding in January.

Disney, + 19.90 bps

It is rare for both sides of a potential takeover to benefit from the attention but as we mentioned earlier Fox put itself in play and Disney was one of the interested parties. The deal makes significant sense for Disney with the addition of Fox giving it important critical mass to support its decision to launch its own streaming service and move away from Netflix. Critical mass and content is all important in attracting subscribers and the merger, if it goes ahead, will significantly strengthen the appeal of the new Disney Streaming Service. Although the merger talk attracts the spotlight, the underlying Disney franchise continues to perform well and we have happily extended our commitment to buy Disney shares out to January receiving an attractive 11% annualised yield for doing so. Disney is a quality company that we continue to be content to hold.

Fund Facts

Launch Date
14 January 2003

Fund Manager
Richard Harwood (since inception)

Fund Structure
UCITS V

Domicile
Dublin

Currencies
GBP, USD, EUR, CHF

Administrator
CACEIS Ireland Ltd

Fund AUM
£69.1m

Min Subscription
50,000 for individuals, 10,000 for platforms and designated bodies

Barclays, +19.58 bps

Barclays has been subdued for some time as higher interest rates in the UK seem to be on permanent hold. However, the bank gained a sharp boost this month from the confirmation hearing of Federal Reserve Chairman nominee Jerome Powell signalled that he isn't inclined to add to financial regulations. This gave the whole sector a boost and saw the Barclays add 10bps of performance in a single day. This looks excessive and we took the opportunity to reduce our exposure to the stock and the sector. There is nothing wrong with either the business or the sector but for the short term, it will be subject to headline risk surrounding Brexit and although it is well enough diversified to see through this period, the upside for the share price is probably limited in the short term.

Easyjet, +10.18 bps

Easyjet enters our top movers for the second successive month with the stock rising above £14.00 for the first time in several months. As we noted last month, the outlook for Easyjet has improved lately with two major players leaving the market due to financial difficulties. This is reflecting in higher passenger numbers and higher yield on those passengers. The airline industry always remains competitive and we fear that Easyjet may be starting to become expensive so we remain happy with our commitment to sell at £13.50 in January and £14.00 in April. If these sales are successful, we will have enjoyed over 50% returns from the Brexit lows when the share price fell to a lowly £8.80. Not only that but we have enjoyed healthy dividends and some additional option premium for our commitments to sell the stock.

British Land, +9.96 bps

British Land is a bit of an enigma in that the share price moves around but little changes. The Company is cheap on most criteria but has traded at a discount because of the uncertainty around the UK property market caused by Brexit. That causes the shares to trade at a significant discount to NAV, which when supported by a significant dividend of over 4.5% makes the stock quite easy to hold. During the month the Company released solid earnings which underlined the value inherent in the stock and caused several brokerage houses to raise their price targets for the stock. This has translated into a stronger share price and a solid return for the Fund. Despite the positive outlook, we don't see any immediate catalyst for the stock to push significantly higher in the short term and as such, we are content to maintain a modest price target for the solid, if unspectacular stock.

General Electric, – 20.19 bps

Having had two stocks appear amongst our top movers for the month, it is disappointing to see GE reappear as our largest faller on the month. During the month, the Company announced the expected dividend cut and restructuring plans which were generally greeted by the market as being under-whelming. That was not unexpected. GE is badly out of favour with the market and it is difficult to see what would have impressed the market. That will change but it will require results to start improving to do so. That is not a short term fix and patience will be required but we believe that despite market sentiment, the risks are now to the upside rather than the downside and that the new management will be keen to show some progress very soon. We continue to closely watch developments.

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Richard Harwood (since inception)

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UCITS V

Domicile
Dublin

Currencies
GBP, USD, EUR, CHF

Administrator
CACEIS Ireland Ltd

Dividend Policy
Distribution

Dealing Days
Daily

Fund AUM
£69.1m

Min Subscription
50,000 for individuals, 10,000 for platforms and designated bodies