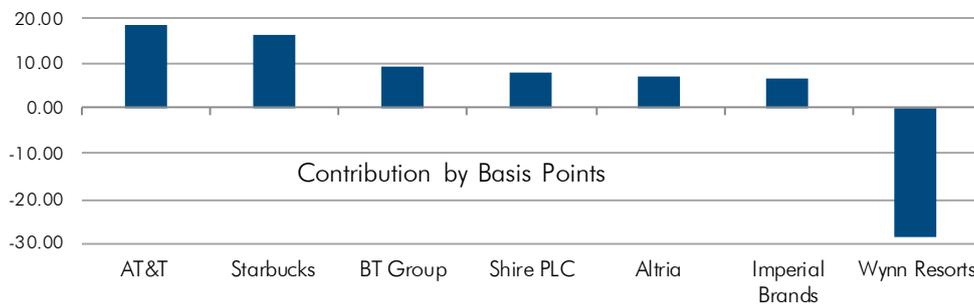


# Orchard Fund Top Movers



## AT&T, + 18.33 bps

AT&T stormed back this month with a 5% rally which translated, thanks to our writing a call option at its peak, into an 18bps return for the Fund. Unlike most stocks that put in significant monthly performances which can explain the sharp move, AT&T's move was more attritional in nature and largely reflects the increasing confidence in the takeover of Time Warner which completed in June. The one news worthy and slightly surprising boost which AT&T did enjoy came from Apple who announced that their three new smartphone models, the XS, XS Max and XR would all connect to the LTE Band 14 deployed by AT&T unlike previous models. Given the seemingly insatiable appetite for the latest iPhones, that is an unexpected bonus for AT&T customers and shareholders alike. With the stock closing at \$33.58 we have agreed to sell our holding at \$36 until December for an additional 3% yield.

## Starbucks, + 16.25 bps

Starbucks performance this month reminds us that form is temporary but class is permanent. We write that as much for ourselves as our investors as it is exceptionally easy for price action and news flow to distract the eye from what are exceptionally attractive fundamentals. The stock recovered over 6% this month after a combination of higher prices and lower raw coffee prices combined with corporate changes which, are aimed at increasing the velocity of product innovation to improve investor sentiment. We remain friendly to the stock but believe that the upside from here is limited in the short term. We have agreed to sell the stock at \$57.50 enhancing our yield by an annualised 8% given our cautious outlook.

## BT Group, + 9.31 bps

BT bounced during the month rising over 3% continuing its trend of moving significantly within a wide band between £2 and £2.40. The stock has moved by at least 3% every month for the last 10 months and whilst we can see that there is potential for the recovery to continue further, we chose to exit the holding just before the month end. The fundamentals of the Company are not unattractive but despite appearing cheap on a multiple of 8, there is no obvious catalyst which will see sentiment towards the stock change and management has constantly failed to inspire investor confidence, so we have decided to recycle the money into more attractive opportunities.

### Top 5 Countries

United States	59.07%
United Kingdom	15.91%
Jersey	4.16%
France	3.02%
Bermuda	2.76%

### Fund Facts

#### Launch Date

14 January 2003

#### Fund Manager

Richard Harwood  
MitonOptimal Jersey Ltd  
(since inception)

#### Fund Structure

UCITS V

#### Domicile

Dublin

#### Currencies

GBP, USD, EUR, CHF

#### Administrator

CACEIS Ireland Ltd

#### Fund AUM

£55.35m

#### Min Subscription

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



## Shire PLC, + 7.87 bps

It is difficult to know what is left to say about Shire, it has appeared in the top movers for seven consecutive months as the market continues to come to terms with the value offered by the Takeda Pharmaceutical takeover. It is now believed that the deal will close in November following their notification to the EU on the 28th September. The offer is at \$30.33 in cash and 0.839 Takeda Pharmaceutical shares. Based on current valuations, that would value Shire at £50.23 some 9% above the current valuation. We don't necessarily believe that all of that upside will be realised but, in a largely uncertain market environment, this represents an attractive return with relatively limited downside risk.

## Altria, + 6.88 bps

The old saying that "my enemies enemy is my friend" seems highly apt for both Altria and Imperial Brands. As everyone is aware, there has been a significant growth in the e-cigarette industry which has been seen as detrimental to traditional tobacco businesses. However, this month, the Food and Drug administration, which had previously been friendly towards the e-cigarette business, on the basis that it was less harmful than the alternative, has changed its stance in the face of an estimated six fold increase in the sales of e-cigarettes by the US Company, Juul, which has been seen to be targeting younger users. There is now talk of the FDA considering a ban on flavoured versions of the nicotine devices which are perceived as being particularly attractive to younger users. Sometimes good fundamentals for a company are not enough to change investor sentiment so, an external boost like this is very welcome.

## Imperial Brands, + 6.69 bps

As we noted above, the tobacco companies enjoy good fundamentals and Imperial Brands most certainly meets that criteria. The Company generates a shareholder yield (a combination of dividends, share buy backs and debt repayment) of 11.6% per annum and is trading on a P/E of below 10. Despite the ongoing negative publicity around tobacco, the Group sales and profits continue to rise and the Company pays a dividend of 6.5% which it can easily afford. By writing call options well above the market, we are able to increase that yield further and ensure that the stock more than deserves its position in the Fund.

## Wynn Resorts, - 29.00 bps

Wynn Resorts was hit by both natural and self inflicted disasters this month as adverse weather in Macau caused the casinos there to go into lockdown for 36 hours, whilst closer to home, the Massachusetts Gaming Commission is meeting to determine whether Wynn Resorts would be penalised in connection with the investigation of sexual harassment allegations against its founder and former CEO Steve Wynn. The most extreme sanction would be the revocation of the gaming licence to run the \$2.5bn Encore Boston Harbour resort, which is due for completion in June 2019. The situation is further complicated by a lawsuit which alleges that Wynn Resorts coerced regulators into the initial awarding of the contract. It is impossible to forecast the outcome of these hearings but we believe that most of the bad news has been priced into the current share price and, with the stock trading on a P/E multiple of 12, there is significant upside from here.

## Fund Facts

Launch Date	14 January 2003
Fund Manager	Richard Harwood (since inception)
Fund Structure	UCITS V
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Currencies	GBP, USD, EUR, CHF
Administrator	CACEIS Ireland Ltd
Dividend Policy	Distribution
Dealing Days	Daily
Fund AUM	£55.35m
Min Subscription	50,000 for individuals, 10,000 for platforms and designated bodies