

Investment Commentary

The Fund returned 4.05% (A RDR share class) against its benchmarks of 3.13%.

Markets' upward momentum persisted in August, as risk assets continued their rally from mid-March lows. Growth stocks again provided the main impetus, driven predominantly by a surge in the performance of large cap technology companies demonstrating the narrow breadth of the market. Against this backdrop, developed markets returned 6.7% over the period propelled foremost by the tech-heavy US market, whilst emerging markets lagged, nonetheless rising 2.2% - as measured by their respective MSCI indices in USD terms.

In the US, by way of a representation of the current environment, the annual Jackson Hole Economic Policy conference was conducted virtually. There, the Federal Reserve ('Fed') used the forum to announce a major shift in policy, whereby it would be targeting an average inflation rate over time, rather than make it a fixed goal. This which was taken to mean the Fed would tolerate a higher degree of inflation before action was implemented, signalling rates would remain lower for longer. Large cap growth names immediately benefitted and the tech-heavy NASDAQ Composite Index finished the month 9.7% higher, while the S&P was up 7.2% (both in USD terms). In economic news, Purchasing Managers' Indices (PMIs) continue to indicate expansion within the economy. Both manufacturing and services beat expectations with readings of 53.6 and 54.8 respectively.

The UK equity market underperformed in August, though the FTSE All Share Index still managed to advance 2.4% in Sterling terms. There is a sense of optimism that

the UK economy can rebound quicker than first anticipated the 2nd quarter, the readings for May and June of increases of 2.4% and 8.7% respectively was at least encouraging. The flash services PMI index also provided encouragement, with a reading of 60.3, together with the manufacturing equivalent's reading of 55.3.

The threat of a second wave of Covid-19 infections across Europe intensified over the month as numerous countries implemented targeted measures to contain the spread of the virus. The fear however doesn't seem to have been reflected in equity markets across the region, with the MSCI Europe ex UK index climbing 3.1% in Euro terms. On the economic front, while retail sales (+5.7%) and employment data was positive, Composite PMI data, though expansionary, missed expectations dropping to 51.6 (down from 54.9).

Events related to Jerome Powell's Jackson Hole speech contributed to a steepening in yield curves over the month. Supply and demand dynamics were also a factor, particularly at the long end of the curve, where at auction demand for a new 30-year Treasury issue was weak. This, coupled with the Fed's shift in policy, saw government bond prices fall, with 10-year Treasury yields rising to 0.70% from 0.53% at the start of the month and the 30 year yield rising 28bps to 1.47%. High yield followed equities higher and spreads narrowed; the Euro HY market returned 1.4% over the month whilst its US counterpart returned 1.0% (both in local currency terms).

Gold took a breather after climbing 30% year to date and was flat for the month (-0.20%) in USD terms. Meanwhile Brent Crude continued its bullish run, posting positive returns for the 4th straight month.

Fund Facts

Launch Date

14 January 2003

Fund Manager

MitonOptimal
Portfolio Management
(CI) Limited

Fund Structure

UCITS V

Domicile

Dublin

Currencies

GBP, USD, EUR,

Administrator

CACEIS Ireland Ltd

Dividend Yield

Target 6%

Dividend Policy

Distribution

Dealing Days

Daily

Fund AUM

£19.74m

Min Subscription

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



MitonOptimal Portfolio Management (CI) Limited (Company Registration no. 36763) is licensed and regulated by the Guernsey Financial Services Commission under the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended. Orchard Funds PLC has the status of a recognised scheme under Section 264 of FSMA 2000 of the United Kingdom. The Fund is authorised in Ireland and regulated by the Central Bank of Ireland. Past performance may not be a reliable guide to future performance. Investments can go down as well as up and investors may not get back the whole amount they invested. Changes in exchange rates may have an adverse effect on the value price or income of the product. For full disclosure of the risks and warnings please visit our web site. www.mitonoptimal.com/guernsey

Orchard Funds PLC
Equity Income & Total Return
6% Targeted Annual Yield

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The front month futures contract will now cost \$45.28 a barrel, up 3.3% from the previous month's close.

More specifically, with respect to the funds' intra-month activity, we reduced our exposure to Altria Group Inc after its recent strength by again writing the \$42.50 puts. Since we started writing these weekly options in an attempt to reduce exposure, we have taken in well over \$3 of premium ensuring that our effective exit price is over \$45.50, well above the recent highs in this stock.

Following successful expiries we rewrote exposure in Cisco Systems Inc, Intel Corporation, Humana Inc, and Best Buy - all enjoying significant margins of safety (in excess of 10%) as well as annualised yields well in excess of 12%.

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