

# Investment Commentary

Despite extremely tough market conditions the Orchard Fund eked out a modest gain in June to complete the first half of the year with six positive months.

June provided more than its fair share of challenges for the market with both the FTSE 100 and Eurostoxx 50 falling by more than 2.75%, yet despite this background the Orchard strategy was able to squeeze out the most modest of gains to continue the long run of positive monthly returns. Thanks for that lies predominantly with our holding in Nike which returned over 20bps on the last day of the month to put us back in the black.

As we have noted before, the Orchard strategy has not changed. We invest in good quality companies which we believe offer value. Periodically, the market disagrees with our assessment and the value of a stock falls below the level at which we have agreed to buy and we are forced to take delivery of the stock. We are happy to do so and await the market to come round to our way of thinking. Often this is a slow, slow process and it is easy to believe that you have miscalculated the value of a stock but we have a robust process which we rely on to check that we do not wander away from our core values.

Occasionally, the market abruptly changes its mind as it did in the case of Nike and the share price rallies sharply. We are as ambivalent to such moves as we are when they fall. If the fundamentals still support a stock we will continue to hold it. If they change, we will reassess and if appropriate, change our minds.

To produce a run of eight months of positive returns is gratifying and we hope that run continues but we are not getting carried away. We retain a healthy exposure to the market but continue to ensure that when the inevitable correction comes, we do not get hurt too badly.

“When markets rise, we try to capture 70% of that upside on a gross basis. When they fall, we try to lose less than 30% of the market losses. We are pleased to report that after 16 and a half years, we are still very close to achieving those targets”

One of the criteria by which we judge our success or otherwise is the 70/30 rule. When markets rise, we try to capture 70% of that upside on a gross basis. When they fall, we try to lose less than 30% of the market losses. We are pleased to report that after 16 and a half years, we are still very close to achieving those targets which we set when we first launched the strategy. In that time, the market has gone through multiple cycles, but we are pleased to report that the strategy has stood the test of time.

## 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

### Dividend Yield

Target 6%  
2017 Est 6.22%

### Dividend Policy

Distribution

### Dealing Days

Daily

### Fund AUM

£73.6m

### Min Subscription

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