

Investment Commentary

This was very much a month of two halves with a horrible first two weeks being redeemed by a solid end of the month which saw the A share class rise 0.54% on the month

We have been running the Orchard strategy for almost 17 years now and as such we have a fairly good handle on how it behaves in certain market conditions. Despite this, even we have been surprised by the divergence of the strategy from our expectations. Remarkably, this is nothing to do with the Orchard strategy as much as the behaviour of the wider markets. Last month we were in the uncomfortable position of reporting that the Orchard Fund had lost value when the FTSE 100, the benchmark a lot of our investors judge us by had risen 1.63% and this month we are in the much more pleasant situation of reporting that the strategy has made money when the FTSE 100 has fallen over 2%.

The reason for this divergence, which we can see from our peer group analysis is detrimentally affecting many of our competitors much more adversely than ourselves, is that markets are becoming increasingly bifurcated and the moves within the market, as opposed to the moves of the market are becoming increasingly extreme. This is a concern for all investors and money managers as it means that the probability of consistent solid returns, the goal for all rational investors is decreasing.

During major bull markets, investors don't really care about volatility. Volatility, if it is all on the upside, is of little consequence to investors but when it starts to include downside volatility it becomes much more concerning. At Orchard we understand that and manage the portfolio to produce consistent steady returns rather than volatile moves of over 1% in a day.

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Despite the increasing volatility in market conditions, it is now well over a year since the Orchard strategy has seen a single day move in excess of 1%, a record which is almost unrivalled even amongst funds that have similar low risk profiles. That means that investors can be confident that there will not be sudden declines in value except in the most extreme market conditions. It all stems from our first rule of investing, namely “If you cant make money, at least ensure you don't lose it”.

Fund Facts

Launch Date

14 January 2003

Lead 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

£69.1m

Min Subscription

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

