

Investment Commentary

Another volatile month saw the Orchard Fund return a healthy 1.11% as the market recovered and started to recognise the value in some of our long held positions.

Having survived the March where we largely preserved capital when markets fell, April provided the opportunity for some capital building as markets recovered and certain holdings which had fallen out of favour, returned to the fore and returned in excess of 30bps during the month. However, this was far from a one way street and once again, woe betide any stock which displeases the market as the consequences for the share price can be extremely harsh.

We are now over half way through the Q1 earnings season and the findings are interesting. Despite the vast majority of companies beating on both earnings and sales, the market response has been largely subdued with analysts scouring results for issues either with forward guidance or levels of Capital Expenditure. Counter intuitively, there are times that the market rises on bad news and falls on good news and we are currently in the latter. This is a strong sign of a market that is mature and in need of a rest and this is reflected in the majority of the major indices which are either flat or in negative territory for the year. This is not to be unexpected at this stage of the cycle and it may well be that we see a churning sideways market over the summer before stocks start to work higher. One quarter or indeed one year's performance does not a bull or bear market make and it is important that we keep an eye on the longer term trends which, at the moment, remain supportive of equities.

There are times when it is difficult to reconcile the market action of a stock with its underlying activities and we are always mindful of what is known as the "value trap" where a stock looks cheap but then continues to get cheaper as the share price continues falling. Often an external stimulus is needed to change that trend and that can either be a change of management or a takeover bid.

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In the last month we have seen both as BT has benefitted from the appointment of Jan du Plessis as Chairman an appointment which has helped the shares rise over 10% in the last month, whilst Shire PLC has been the recipient of several takeover offers from Takeda Pharmaceutical, the latest of which, worth £49 a share has been accepted by the Shire Board. The reaction of the Shire share price which still loiters below £40 suggest that the market is not convinced by the Takeda offer, much of which will be financed in debt, but regardless the shares are now well off their lows and unlikely to return to those levels now that the value has been identified. Value ultimately will out but patience is often required.

Fund Facts

Launch Date

14 January 2003

Lead Fund Manager

Richard Harwood
MitoOptimal Jersey Ltd
(since inception)

Fund Structure

UCITS V

Domicile

Dublin

Currencies

GBP, USD, EUR, CHF

Administrator

CACEIS Ireland Ltd

Dividend Yield

Target 6.0%
2018 Est 6.18%

Dividend Policy

Distribution

Dealing Days

Daily

Fund AUM

£64.3m

Min Subscription

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

