

Investment Commentary

The recovery in the Orchard share price continued with the A share class rising 0.98% during the month matching the wider market.

There is a sharp difference between month end figures and the activity during the month at the moment with monthly performance showing gentle gains disguising the sharp moves intra-month. The movements of the index also disguise the wide dispersion of movements within the index with the S&P 500 seeing more than 40% of its constituents falling during the month with 10% falling 5% or more.

This sort of dispersion is often a characteristic of a turning point in the market and given the stage of the cycle we find ourselves in and the seasonal factor as we enter summer, that is not surprising. However, we must keep an eye on the longer term trends and although they are no longer as robust as they were earlier in the cycle, the general macro economic background and interest rate environment do remain broadly supportive. However, particularly with interest rates, we must remain vigilant. The 10 year bond yield in the US was particularly volatile during May hitting a high of 3.11% before falling back to 2.78% on concerns around Europe and trade wars. Whilst these may seem relatively minor moves given the overall level of rates, such volatility is unwelcome and distracting for the equity markets. The UK saw even more volatility with 10 year Gilts there falling from a high of 1.57% intra-month to a low of just 1.19%. Given markets dislike *uncertainty*, these moves are not helpful.

So what are we to conclude about the outlook for the summer and beyond? Although the strength of the economic growth is certainly tapering off, there is still a generally positive environment for risk assets and barring a political intervention the markets look set to continue higher although not necessarily in a straight line.

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The major caveat to any forecast as to the future performance of the market is political intervention. We are living in a new era of politics, and whether you like it or not, President Trump has a significant effect on markets. His methodology may not be traditional or even comprehensible to many analysts, there are arguments that he is effective. If the on off North Korea summit happens and the threatened trade wars with Europe, amongst others, can be avoided, the markets may well move significantly higher. If these pitfalls cannot be avoided we may see a temporary setback, albeit probably short lived. It was Andy Warhol who was credited with the claim that everyone would be famous for 15 minutes. Little did we know that US policy would soon have a similar lifespan.

Fund Facts

Launch Date

14 January 2003

Lead Fund Manager

Richard Harwood
MitonOptimal 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

£62.9m

Min Subscription

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



MitonOptimal