

Investment Commentary

A better start to the second half of the year saw the Orchard Fund return over 1.5% as a combination of stronger markets and better stock picking enhanced returns

It seems that the investment cycle is speeding up with sector rotation, which used to take months, happening not only on a monthly basis but sometimes intra-month. This month a solid start ran into a weak mid month followed by a strong end to the month. Even more encouraging, was that in the last few days, the Orchard strategy was able to produce positive returns despite falling markets which is one of our primary goals.

We start each quarter with a mixture of fear and anticipation. Earnings season provides some exceptional opportunities but the market is becoming increasingly hostile to companies that disappoint. This month, they were occasionally hostile to companies that beat but were potentially on the wrong side of President Trump's latest tweet. That can make managing money exceptionally difficult and potentially cause mild bouts of paranoia as the euphoria of seeing a stock rise 5% in after hours trading following great results translates into an open the next day of down 5% following the ramping up of trade tensions with China. Ultimately however, we rely on fundamentals and believe that the wider trade tensions will be less disruptive in practice than they appear at first tweet. More to the point, we think we have a reasonable chance of analysing companies and understanding their likely trajectory whereas neither we, nor we suspect any of his advisors, have any idea what President Trump will do next.

In our top movers literature we try to give investors a taste of the big movers in the portfolio each month but this month there is a stock in the portfolio which will not appear on that document but which deserves special mention and that is Facebook.

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There is no one that doesn't know what Facebook does but some may have missed the magnitude of its fall this month. Following quarterly results which beat market expectations but were accompanied by a forecast of slower growth ahead, the stock initially fell 25% before closing the day down 18%. In one day over \$120bn of value was lost and we hold a position in Facebook equivalent to 3.29% of the Fund. However, as our investors are aware, we try to build in a margin of safety into our trades for such contingencies, so despite the stock trading at \$217 before the results, we had only agreed to buy it at \$175. Despite that prolific fall, the stock is only just trading below our purchase level now and may well rise before our commitment expires in August.

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

£58.7m

Min Subscription

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



MitoOptimal

MitoOptimal Jersey Limited is regulated by the Jersey Financial Services Commission. 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.mitooptimal.com/jersey

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