

Investment Commentary

We are always cognisant that the summer months can see higher volatility but nothing prepared us for May when a combination of political and economic factors sent the strategy sharply lower

May was the second worst month in the history of the Orchard Fund and the second significant fall in the last 6 months. Despite this, the Fund remains positive on the year and for the reasons we outline below, we remain optimistic.

It may be difficult for investors to understand the magnitude of the moves in May, given that sterling's weakness masked the effect on the FTSE and some large winners disguised the magnitude of the falls in the US, so to give our investors better clarity we have included an appendage to this month's report detailing the moves in each of our stocks and the reasons behind them.

However, on the whole, it is fair to say that in both our UK and US holdings, the moves were politically inflicted and as such may reverse as quickly as they fell. In the UK, our main pain was felt in Easyjet and the UK bank holdings, Lloyds and Barclays, where Brexit and the weaker pound significantly impacted sentiment. In the US, it was the self-inflicted pain of a trade war with China, which massively impacted our holdings and saw stock prices of any company with Chinese business links savaged. Goodyear Tires fell 33% in the month, while Wynn Resorts fell 25%, the same as Skyworks Solutions.

We believe that these falls have placed these stocks at levels which not only seem to price in the current bad news, but also much more as well. We believe, and have already started to see in the first couple of days of June, rebounds that have started to justify that belief. We believe that recovery has further to run, and however tempting it has been to cut positions we believe that it would have been the wrong thing to do and that the potential for a very significant bounce back is high.

That is not to say that we believe all is well in the world. The world's economies are slowing and that slowdown is being materially impacted by naive political moves. We hope that the realisation that there is an impending election cycle will cause an awareness that real world businesses are being negatively impacted by tariffs and that does not bode well for Trump's re-election. We started the month with the portfolio exposure within our neutral range. That exposure automatically increases as markets fall, which means that we will participate significantly in any rallies. This has seen the Fund rally 2.5% in the first two days of June, with hopefully more to come.

Fund Facts

Launch Date

14 January 2003

Lead Fund Manager

Richard Harwood
MitoOptimal Jersey Ltd

Fund Structure

UCITS V

Domicile

Dublin

Currencies

GBP, USD, EUR, CHF

Administrator

CACEIS Ireland Ltd

Dividend Yield

Target 6%

Dividend Policy

Distribution

Dealing Days

Daily

Fund AUM

£40.8m

Min Subscription

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



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