

Investment Commentary

A sharp bounce back saw the Orchard Fund return over 5% in June despite not adding a single position to the Fund from the May month end

A 5% plus performance in any month was once the stuff of dreams for the Orchard Fund, yet this was a muted response to last month's declines.

Yet despite the quite amazing volatility, very little has changed in the fundamentals of the companies in which we invest. If we consider, Apple as a case in point, over the last two months, earnings expectations for 2019 have been largely static, rising by just 0.8%, yet despite this stability, the share price fell 12.76% in May and rose 13.05% in June. As the father of value investing, Benjamin Graham noted, "In the short run, the market is a voting machine, in the long run, it is a weighing machine".

Whilst not a totally modern phenomena, the disconnect between the fundamentals of the underlying companies and their share price performance is becoming extreme. I am pleased to report that with the exception of a couple of holdings, the fundamentals of the companies in which we invest have improved over the last quarter yet in most cases the share prices have fallen. We have to live with that, and suspect that as the US approaches the 2020 election, that disparity may increase but we are long term investors who are more interested in weighing that voting.

We have been in the current bull market for over a decade now and it is not surprising that things have become more volatile, however, the ever increasing disparity between growth and value is hitting extremes. We have reacted to this by moving the portfolio deeper into the value end of the investment pool by closing our position in Amazon, our one true growth stock. This has meant that the P/E multiple of our portfolio is now trading at a 32% discount to the wider market in both our European and our US holdings. We are firmly in the value camp and expect that to pay off over the next 18 months.

It now seems that we never get to write exclusively about the month in question given the speed of news events but over the weekend the US and China seemed to make progress on trade talks and that will almost certainly set the tone for the next few trading sessions. Such are the times we live in that no one should assume that an announcement made on Saturday will hold steady for the next seven days, never mind the next month, but for the moment the China effect, which hurt us so badly in May, looks to have a positive bias and we expect that to reflect in the early July performance.

Fund Facts

Launch Date

14 January 2003

Lead Fund Manager

Richard Harwood
MitonOptimal 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

£40.7m

Min Subscription

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



MitonOptimal 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.mitonoptimal.com/jersey

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