

Investment Commentary

A solid month saw the A share class return 3.10% against a lacklustre market as value briefly returned to the fore.

For a few days at the start of the month, value came back into vogue and the Orchard Fund responded accordingly. Although the market became more confused over the rest of the month, that small retracement saw the Orchard Fund significantly out-perform the wider market.

This rebound needs to be put into context as it was a very modest move compared to the massive underperformance over the last few years, where in the US value has underperformed growth by 37% over 5 years, 19% over the last three years and 13% over the last two years. The relative valuation is still close to a multi year extreme and we believe that there is a significant likelihood that value will continue to recover from these current extreme levels, which will materially benefit the Orchard strategy.

Despite the strong rebound this month, we have, throughout the month, held significant cash holdings to try to dampen our volatility. Although the methodology which we employ has not changed, the movements in individual stocks in the market have become significantly more extreme and that has caused the volatility of our performance to rise. This is not something we or our investors desire and as such, we will try to dampen it.

There are many factors which are weighing heavily on the market at the moment from the political difficulties in the US and UK, to economic concerns of slowing global growth. These are valid concerns, which is another reason why we have an above average cash weighting at the moment, but we should not forget that markets climb a wall of fear and that it is the unknown that worries us rather than the facts that we can see in front of us.

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We are over a decade into the current equity bull market and, like all things, at some point it will come to an end but with equity yields significantly higher than government treasuries, we do not think that time is yet and believe that factor rotation back towards value is more likely than any significant declines in the market. If we are right, we are well positioned to benefit from that move.

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%

Dividend Policy

Distribution

Dealing Days

Daily

Fund AUM

£33.6m

Min Subscription

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



MitonOptimal

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