

Investment Commentary

The volatility we have warned of was evident for most of March but against a very tough background, the Orchard strategy was resilient falling only 0.55%

We will never be happy losing money and we certainly aren't happy with a negative quarter, but there are times when winning is not possible and making the best of a bad lot is all that is left. The first quarter was very much that case and falls of over 8% in the FTSE 100 evidenced how difficult it was to avoid the losses completely. To put the fall in the FTSE in perspective, the Index closed the first quarter of 2018 below the level at which it finished 2016, so effectively a years gains were wiped out in a single quarter.

These falls in the wider market have seen volatility increase. This is a well worn path for the Orchard strategy and we are pleased to see that the strategy is performing as expected. As we highlighted in our mid month article, "A double edged sword", volatility hurts us in the first month of an increase but works in our favour over the next few months. In March, the Orchard Fund A share class fell by around a quarter of the wider market as the higher volatility we are now receiving for our commitments starts to translate through to a stronger outlook for future returns. Whilst that can only mitigate the worst of the losses when markets fall, it turns into a significant tailwind when markets stabilise and start to rise. We finished the quarter with a running yield, the annualised gross return we would expect to return if our stocks do not move, of over 10%, a return which will only increase if stocks move higher.

One of the driving forces for markets during the month was the increased probability of Trade Wars initiated by Donald Trump's protectionist policies. We covered this during the month in our piece "Dr Strangelove" so won't cover it further here other than to say that these are the left field events which are likely to become more regular in the year ahead.

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As many of our investors are already aware, during March, Orchard Wealth Management Limited became part of the MitonOptimal Group. This opportunity significantly enhances the range of skills, experience and expertise available to us as well as giving us a much wider distribution network. There will be no changes to the day to day management of the Fund but the Managers will have a much deeper resource pool to draw upon. Over the next few months, all literature will move over to the MitonOptimal brand but your contacts will remain the same. We look forward to sharing with you the exciting opportunities this alliance will bring and thank you for your continued support.

Fund Facts

Launch Date

14 January 2003

Lead Fund Manager

Richard Harwood
(since inception)

Fund Structure

UCITS V

Domicile

Dublin

Currencies

GBP, USD, EUR, CHF

Administrator

CACEIS Ireland Ltd

Dividend Yield

Target 6.0%
2017 Est 6.25%

Dividend Policy

Distribution

Dealing Days

Daily

Fund AUM

£63.9m

Min Subscription

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