



Orchard US Small Cap Value Fund

Orchard Capital Management aims to promote environmental, social, and governance characteristics through its investment selection process as described in this document.

SUSTAINABILITY RISK

Orchard Capital Management integrates sustainability risks amongst risks that could cause an actual or potential material negative impact on the value of an investment, as part of its investment decision-making and risk monitoring process. It does so to the extent that they represent potential or actual material risks to maximising the long-term risk-adjusted returns. Further information on the manner in which sustainability risks are integrated into investment decisions is available to investors upon request.

NO CONSIDERATION OF ADVERSE IMPACTS ON SUSTAINABILITY FACTORS

Orchard Capital Management does not currently consider the adverse impacts of its investment decisions on sustainability factors, within the meaning of Article 4(1)(a) of the SFDR. It does not do so currently because the final regulatory technical standards which set forth the scope of “principal adverse impacts” and the corresponding mandatory reporting template have not yet been adopted by the European Commission. Orchard Capital Managements position on this matter will be reviewed at least annually, and Orchard Capital Management will continue to research and develop procedures which will enable us, over time, to gather more granular data on the impacts of investment decisions on sustainability factors.

REMUNERATION POLICY

The remuneration policies and practices of Orchard Capital Management are aligned with the ESMA guidelines and SFDR (where appropriate). The remuneration of identified staff is aligned with the management of short and long-term risks, including sustainability risks in accordance with SFDR.



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ESG – SUSTAINABLE INVESTMENTS

The Fund aims to promote environmental, social, and governance characteristics through its investment selection process as described below.

ESG considerations are identified and implemented by the Fund's Investment Manager in partnership with an independent ESG research provider and in accordance with the advice of the Advisory and Marketing Support Agent, whose role is further detailed under "Advisory and Marketing Support Agent" below. ESG characteristics are defined as environmental, social or governance criteria that have a positive environmental and/or social impact. The strategy integrates sustainability criteria as part of the Investment Manager's stock picking process through its proprietary research and analysis (in addition to the exclusionary principles set out below).

Guidelines for the observation and exclusion of companies based on the application of ESG criteria:

The Fund will seek to avoid investing in companies which themselves or through entities such companies control:

- I. produce weapons that violate fundamental humanitarian principles through their normal use; or
- II. produce tobacco; or
- III. sell weapons or military materiel to states that are subject to investment restrictions on government bonds.

In addition, the Investment Manager, with respect to the Fund, follows the Norges Bank Investment Management ESG exclusion list of companies. Norges Bank decides on which companies are to be included in the exclusion list of companies or which companies to place on an observation list. Exclusions on the list as of 1 January 2015 are the decision of Norges Bank's Executive Board. Exclusions previous to this date are decisions made by the Norwegian Ministry of Finance. The decisions are based on recommendations from the Council on Ethics appointed by the Norwegian Ministry of Finance. For the product-based coal criterion, decisions are based on recommendations from Norges Bank Investment Management. Securities will not be included in the Fund's portfolio if they are on the Norges Bank exclusion list of companies.

The Investment Manager has committed to review scoring of securities for ESG on a regular basis using the Bloomberg ESG analytics or a similar industry tool. Bloomberg ESG analytics is employed by the Investment Manager. The Investment Manager is a signatory of the UN Principles for Responsible Investment and follows its guidelines.

INVESTMENT OBJECTIVE

The investment objective of the Fund is to seek long-term capital appreciation.

INVESTMENT POLICIES

The Fund will pursue its investment objective by investing in normal market conditions at least 80% of its Net Asset Value in equity securities of small capitalisation. The Investment Manager defines small capitalisation companies as those companies that, at the time of purchase, have capitalisation up to \$5 billion ("Small Cap Threshold"). The Fund may continue to invest in large cap companies, which are companies that have a market capitalisation in excess of \$10 billion ("Large Cap Companies").

The Fund targets investments at initial purchase are typically smaller than US \$3 billion at market capitalisation. In certain cases, the Fund may hold securities that were previously purchased below the Small Cap Threshold but that have appreciated. In rare cases, when the expected return is high or the price appreciation is rapid, the Fund may choose to hold a security (one which was purchased below the \$10B market cap threshold) for a period until it decides that it would be in the best interest of Fund to sell the security. The Fund will not initiate a new position in a security of Large Cap Companies but may continue to hold such securities where they exceed the €10 billion threshold.

The Fund's portfolio typically has between 30 to 60 equity positions and cash positions of less than 10%. As described in further detail below under "Investment Strategy", the Fund employs a research-driven, value style of investment within the discipline, which is anchored by establishing risk-adjusted returns on each potential investment's intrinsic value. Using a valuation that determines each security's intrinsic value, the Investment Manager converts the intrinsic value into an annualized expected return against the time frame at which the intrinsic value is expected to be realized so that different investments can be compared on the same basis.

The Investment Manager will typically invest in a security if its annualized expected return is greater than 20%. The Investment Manager will generally sell the security when it reaches a market capitalization of \$5 billion or if it reaches the Investment Manager's intrinsic value estimate. The Investment Manager carries out fundamental, proprietary research on each company to model the economics of the business. This fundamental model is then translated into an intrinsic value by applying one or more valuation metrics to triangulate an intrinsic value of the company. These valuation metrics include:

- Private market and merger and acquisition transaction values;
- Industry valuations.

The intrinsic value is set at the point which the team believes the company should realize that intrinsic value (typically 3 years out, but it will vary). This forward value is then converted into an annualized expected return. The team typically targets an annualized expected return on initial investment of above 20%.

Although the investments of the Fund have a North-American company focus, it may also invest in the equity securities of companies with substantial operations in the United States or Canada that are domiciled outside North America but that have meaningful business operations or markets in the U.S. or Canada and in instances where the Investment Manager can gather sufficient proprietary research or when the company reports to a North American regulator where the Investment Manager can gather sufficient information to determine whether to purchase. Such sufficient information includes a review of the financial statements of the company (which must be prepared in accordance to

according to US GAAP, Canadian, or European standards) and research by the Investment Manager including access to the management of the company.

The Investment Manager may also invest in equity related securities in circumstances where direct exposure to certain securities is uneconomic, impractical or not possible. Equity related securities include Global depository receipts (GDRs), American depository receipts (ADRs) or preferred stock.

The Fund may keep up to 10% of its Net Asset Value in cash or cash equivalent instruments such as short-term government obligations and fixed income government bonds with a minimum rating of Aa+ (Moody's, Fitch, S&P). From time to time, the Fund may invest to a greater extent in cash or cash equivalents for defensive purposes. The Investment Manager uses its discretion as to when to invest in these asset classes, based on conditions in equity markets and will do so with the aim of reducing the effects of the volatility of equity markets on the Fund's portfolio and preserving the capital of the Fund.

The Fund may invest cash balances in exchange-traded funds to gain market exposure on cash balances, and money market funds to give the Fund exposure to money market rates of return on cash balances, subject to the restriction that the Fund may not invest more than 10% of its Net Asset Value in collective investment schemes (including any investment in exchange-traded funds).

The Fund's investments in equities, equity-related securities, exchange-traded FDI and exchange traded CIS will be listed or traded on Markets.

The Fund is actively managed and is compared to the Russell 2000 Value Index (the "Index") as a benchmark for performance measurement purposes. The Index is a broadly diversified index predominantly made up of value stocks of small U.S. companies. The Index is designed to measure the performance of small-capitalization value stocks in the United States. Investments in the portfolio are not specifically selected from the constituents of the Index, hence the Fund's investment policy is in no way constrained and the degree of deviation from the Index may be significant.

INVESTMENT STRATEGY

The Investment Manager of the Fund uses a fundamental bottom-up approach to construct the Fund's portfolio. While the Investment Manager is mindful of sector and industry weightings, the Fund does not have targeted industry exposures.

The Investment Manager utilizes in-depth, fundamental research that provides the Investment Manager with proprietary knowledge (uniquely developed knowledge) that it uses to invest in small-cap companies with value unrecognized by the market. The Investment Manager looks for companies with assets or income streams that are materially under-priced with defensible product niches, high returns on capital, secure capital structures, and effective leadership adept at building shareholder value. When evaluating a company, the Investment Manager considers what a private buyer or strategic investor might pay for the whole company.

The Investment Manager takes a longer-term view and commits to a relatively long holding period (and low turnover) of securities. Investments are made in businesses trading at substantial discounts to the Investment Manager's estimate of their intrinsic value.

The Investment Manager adheres to a disciplined and repeatable process of intrinsic value investing. To determine value, the Investment Manager applies a long-term perspective to in-depth, bottom-up

fundamental research. Its research team sources investment ideas from a variety of channels to produce an analyst's interest list. Such channels may include:

- Regularly analysing earnings and news across a range of industries;
- Quantitative screens which may relate to pricing or events that indicate a change in value of securities;
- Industry and other trade publications in the particular industry;
- Network of relationships of the Investment Manager;
- Third party research received by the Investment Manager from brokers;
- Review of investment activity of investors in the market through monitoring of quarterly portfolio filings of other investment managers that own the same or similar positions as the Investment Manager. Such activity may initiate the Investment Manager to initiate internal research on positions;
- Regulatory filings concerning a company; and
- Former holdings of investment positions of the Investment Manager and the management of former holdings of investment positions of the Investment Manager. These are holdings which were previously owned by the Investment Manager and which the Investment Manager disposed on when the positions were deemed to be at the height of their value. The Investment Manager may look to purchase such holdings if the price of such holdings drops.

After an initial review, the analysts develop preliminary estimates of intrinsic value, time-frame during which a clear catalyst should move the stock price towards its intrinsic value, and annualized expected return.

The research team of the Investment Manager reviews each security, which may include an assessment for the risk of loss of capital by reviewing fundamental risks, regulatory risks and leverage. At a portfolio level, the Investment Manager regularly measures aggregated fundamentals (e.g. debt ratios aggregated across holdings of the Investment Manager) and factor returns (i.e. returns and risk exposures attributable to common factors which may include size and quality of holdings) so as to understand the aggregate and portfolio level risks embedded in the portfolio. This provides an additional check and assessment by the Investment Manager that the risks in the portfolio are intentional and understood.

The Investment Manager may consider, among other factors, the following when considering securities:

1. Value;
2. Change in cash flow;
3. Other metrics which may include quality of earnings, debt levels, hidden and intangible assets, business and economic outlooks, management and operational performance;
4. Filings, or news events (that may signal a change in capital structure, profitability or value; and
5. Investor activity which may indicate a shift in growth or value investor bases.