



Orchard US Small Cap Value Fund
Inaugural Note and January 2023 ESG Activity

Orchard’s Approach to ESG: Context

Orchard Capital Management is a committed partner in furthering improvement and transparency in Environmental, Sustainability, Social and Governance aspects of the companies in which we invest. Over the years, we have improved the capabilities of the firm our data partners and our own tracking and engagement capabilities. Orchard does this in a universe (Small Value companies in the United States) that is generally not well covered by data providers and generally does not disclose environmental and social data broadly, consistently or at all. Given the challenges within our category, we have integrated our ESG research into our general securities research. Our analysts rely primarily on their own proprietary research and Orchard can benefit from that access and focus to identify additional qualitative and quantitative insight on companies that may not share their ESG picture. It also allows us to engage with companies when there is an issue of significance or when we see an opportunity to drive greater disclosure.

2022 included some of that activity, but we also upgraded our quantitative portfolio oversight and general engagement capability. In the 2nd half, we invested in more extensive data and time resources bent on scoring all of our portfolio companies and our entire investment universe. We now are capable of scoring our companies on:

- Disclosure – companies are measured on disclosure scores on an absolute basis and versus their industry group.
- Do No Harm Scoring (DNHS) – European Union DNHS measures are now the standard and we now can measure our companies’ on six environmental DNHS categories
- Other ancillary and granular measures that allow us to enrich our understanding of the scores and the companies.

Engagement Campaign

Orchard identified underreporting as the greatest barrier to change in the category and initiated more active engagement with companies, which expanded into a full, whole-portfolio campaign focused on both disclosure and improvement

- Campaign scores each company with summary snapshot scores versus a fully scored industry
- Campaign formally contacts company, shares scores and asks to engage company on scores and underlying data
- Orchard follows up with companies, tracks scoring and disclosure changes over time

Portfolio EU Scoring Dashboard

Orchard US Small Cap Value Fund Scoring vs Bloomberg Industry Group

Relative: vs Industry	EU Taxonomy: DO No Harm Scoring						
	Average DNSH	Mitigation	Adaptation	Water	Waste	Biodiversity	Pollution
	+4.8	+8.3	+4.1	+6.5	+4.2	+5.5	+0.3
AMERIS BANCORP	-15.4	-11.3	-4.4	-14.0	-31.1	-17.0	-20.5
ARCOSA INC	-9.9	-14.1	-11.7	-9.1	-5.8	-10.9	-6.8
ARCBEST CORP	15.0	37.2	17.0	18.7	19.9	-3.1	5.3
ARDELYX INC	3.4	1.4	-0.2	3.2	5.3	3.8	5.8
AXOS FINANCIAL INC	4.4	-0.2	9.9	2.7	6.4	3.0	4.5
PATHWARD FINANCIAL INC	-16.4	-11.3	-4.4	-14.0	-31.1	-17.0	-20.5
CENTRAL GARDEN & PET CO	2.8	-3.7	-2.4	2.8	4.2	3.3	12.5
CENTURY CASINOS INC	0.7	-1.9	-3.7	-0.7	6.5	-2.6	6.5
CRITEO SA-SPON ADR	23.4	73.3	28.6	0.0	17.5	16.0	5.0
DIGITALBRIDGE GROUP INC	-21.0	-16.2	-15.6	-19.7	-34.1	-20.0	-26.5
ENHABIT INC	2.1	-9.2	-3.4	-5.9	12.5	15.3	2.9
ENCOMPASS HEALTH CORP	2.1	-9.2	-3.4	-5.9	12.5	15.3	2.9
ENOVA INTERNATIONAL INC	-2.5	-6.1	-7.9	-2.1	-0.8	-0.4	2.1
BBIO INC	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FRANKLIN BSP REALTY TRUST IN	-0.2	-6.1	6.4	-2.1	-0.8	-0.4	2.1
FIRST FOUNDATION INC	2.0	-0.2	-4.4	2.7	6.4	3.0	4.5
FTAI INFRASTRUCTURE INC	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FTAI AVIATION LTD	33.3	47.2	32.1	47.9	14.2	51.5	7.1
GREENLIGHT CAPITAL RE LTD-A	12.0	14.4	3.2	15.4	15.3	20.0	3.7
HERON THERAPEUTICS INC	3.4	1.4	-0.2	3.2	5.3	3.8	5.8
IDT CORP-CLASS B	-0.2	-5.1	-1.3	-3.0	3.4	0.0	4.5
LOUIS GATE ENTERTAINMENT-A	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MUELLER WATER PRODUCTS INC-A	31.4	51.2	9.5	47.2	29.2	44.4	6.9
N HOLDINGS INC	-0.4	3.3	-11.1	-1.2	2.8	0.0	3.7
OMNAB INC	0.1	-5.8	-2.0	1.8	4.0	-2.9	5.4
REVOLVE GROUP INC	13.9	5.3	6.1	11.9	26.8	14.3	17.8
SHYFT GROUP INC/THE	0.0	0.0	0.0	0.0	0.0	0.0	0.0
STANDARD MOTOR PRODS	15.9	25.0	32.1	35.4	9.4	0.0	-5.3
SOLARIS OILFIELD INFRAST-A	-28.3	-29.2	-22.6	-8.8	-39.5	-41.1	-28.8
SUMMIT MATERIALS INC-CLA	13.7	22.2	0.0	25.0	12.5	10.0	12.5
BANCORP INC/THE	4.4	-0.2	9.9	2.7	6.4	3.0	4.5
TRINITY INDUSTRIES INC	22.3	35.2	38.1	11.1	20.8	20.0	8.3
TRIMAS CORP	5.9	-11.1	10.2	11.9	19.6	14.3	-3.6
VERSABANK	23.1	45.7	34.3	15.0	11.9	12.0	19.5
VASAT INC	22.2	30.1	-4.2	21.5	34.9	39.2	11.5
GARRETT MOTION INC	-3.8	13.9	-25.0	35.4	-15.6	0.0	31.3



- Orchard collaborates with data providers (Bloomberg) to advocate for additional scoring and reporting to expand reach and influence
- Orchard uses tracked progress (or lack thereof) to advocate for other changes and empowers engagement discussions

We initiated this campaign in December with meetings in January, February and beyond. We expect to do this at least annually with each company.

January ESG Update

We began outreach in January:

- Initial Meetings:
 - Summit Materials
 - Standard Motor Products
 - Lions Gate Entertainment
 - Greenlight Capital Reinsurance

Notable activity or insights: Early meetings were spend on education and raising familiarity with Do No Harm Scoring and disclosure methodology. Generally, companies were open to learning more. Summit materials has a more robust campaign and was surprised that it didn't score better. For them and others, we will be sharing data to help empower many companies to know where they will need to close the gap on disclosure.

Below, we share the data that we used for January conversations, with more data also provided via dashboard (above) to our analysts and the companies. Many of these data points are annual and will not change frequently.

Example Shared Snapshot

ORCHARD CAPITAL MANAGEMENT					
ESG Snapshot					
Year	Portfolio Security	Ticker	Exchange	Eq Ticker	
2021	CENT US Equity	CENT	US	CENT EQUITY	
Central Garden & Pet Co					
Description					
Central Garden & Pet Company manufactures and distributes branded and private label products. The Company provides lawn, garden, pottery, and other outdoor products. Central Garden & Pet serves lawn and garden consumables and pet supplies markets.					
Address:		1345 Trevel Blvd Suite 600 Walnut Creek, CA 94597 United States		Sector Data for Comparisons	
Telephone:		1-925-948-4000		Sector: Consumer Staples	
Website:		www.central.com		Ind Group: Consumer Staple Products	
CEO:		Timothy P Cofer "Tim"		Industry: Household Products	
CFO:		Nicholas Lahanas "Niko"		Sub Ind: Home Products	
ESG Summary Scores					
Most Recent Bloomberg Score					
		Score (1-10)	21 Percentile	Trend: '19 '20 '21	
BESG Environmental Pillar Score		-	-	[Bar Chart]	
BESG Social Pillar Score		0.2	-	[Bar Chart]	
BESG Governance Pillar Score		6.5	75	[Bar Chart]	
Most Recent Other Score					
MSCI Sustainalytics		Score	Risk Category	Controversy Level	
S&P		11.0	N.S.	N.S.	
ESG Disclosure Scores					
		Overall:	sumer Staple Products		
Most Recent Bloomberg Score					
ESG Disclosure Score		Company	Ind Group Avg		
		29.9	41	-10.7	Lagging vs Comps
Environmental Disclosure Score		-	18		Lagging vs Comps
Social Disclosure Score		15.8	19	-3.1	Lagging vs Comps
Governance Disclosure Score		73.6	85	-11.0	Lagging vs Comps
EU Taxonomy Do No Harm Scoring					
		Company	Household Products		
Most Recent Bloomberg Score					
EU Taxonomy Estimated Eligible Revenue Percent		2020	2021	Industry Avg	±/
		-	-	-	-
EU Taxonomy Estimated % Revenue Percent		11	11	14.8	-3.7 Lagging vs Comps
Average of Do Not Harm Scoring		20	20	18.0	+1.9 Leading vs Comps
EU Taxonomy Estimated DNSH Mitigation Level 1		11	11	14.8	-3.7 Lagging vs Comps
EU Taxonomy Estimated DNSH Adaptation Level 1		14	14	16.7	-2.4 Lagging vs Comps
EU Taxonomy Estimated DNSH Water Level 1		17	17	13.9	+2.8 Leading vs Comps
EU Taxonomy Estimated DNSH Waste Level 1		38	38	33.3	+4.2 Leading vs Comps
EU Taxonomy Estimated DNSH Pollution Level 1		20	20	16.7	+3.3 Leading vs Comps
EU Taxonomy Estimated DNSH Biodiversity Level		25	25	12.5	+12.5 Leading vs Comps



Year End Do No Harm Portfolio Scoring

Relative: vs Index	EU Taxonomy: DO No Harm Scoring						
	Average DNSH	Mitigation	Adaptation	Water	Waste	Biodiversity	Polution
	+4.8	+8.3	+4.1	+6.5	+4.2	+5.5	+0.3
	Average DNSH	EU Tax Est DNSH Mitgtn Lvl 1	EU Tax Est DNSH Adaptrn Lvl 1	EU Tax Est DNSH H2O Lvl 1	EU Tax Est DNSH Wstle Lvl 1	EU Tax Est DNSH Poltn Lvl 1	EU Tax Est DNSH Biodiv Lvl 1
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89BIO INC	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FRANKLIN BSP REALTY TRUST IN	-0.2	-6.1	6.4	-2.1	-0.8	-0.4	2.1
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Source: Orchard Capital, Bloomberg ESG, Company data

Thank you for your continued support and engagement

The Team at Orchard Capital Management