Melchior Selected Trust
European Opportunities Fund

Results to 31 December 2014
www.daltonsp.com

Investment objective:
Capital appreciation through selective investment in European equities.

Investment manager:
Dalton Capital (Guernsey) Limited

Investment style:
Bottom-up stock selection process, across all market capitalisations, targeting unrecognised growth, turnaround or recovery situations and valuation anomalies producing a concentrated portfolio.

Countries of registration:
Luxembourg, UK, Germany, Italy (for qualified investors), Spain

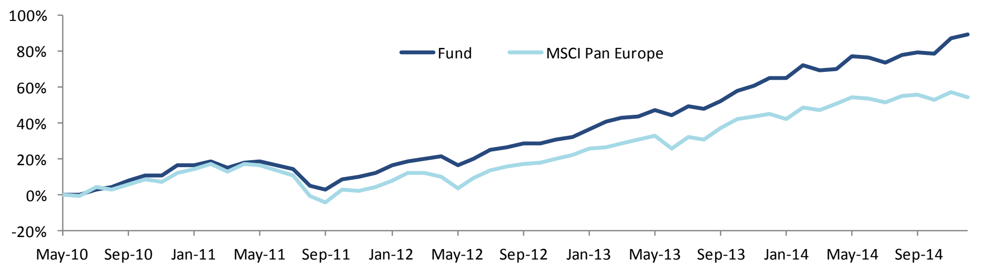
Fund size:	US$ 46m
Number of stocks:	56
Base currency:	Euro
Share classes:	I (Euro, GBP, USD)
Fees:	
I shares	0.85%
Minimum investment:	
I shares	$250,000 (equivalent)
Legal status:	Luxembourg SICAV with UCITS status
Fund dealing:	Daily
Dealing cut off:	14:00 CET
Benchmark:	MSCI Pan Euro EUR
Fund launch:	4th May 2010

Share class:	ISIN	SEDOL
I1 EUR	LU0289523259	B4325G1
I2 USD	LU0289527912	B42L0S6
I7 GBP	LU0289524653	B1Z4RK2

Current prices/NAVs:

I1 EUR	180.25 (€)
I2 USD	166.44 ($)
I7 GBP	162.95 (£)

Percentage growth, total return (EUR)



%	1 month	3 months	YTD	1 year	3 years	5 years	Since inception
Fund	1.26	5.42	14.87	14.87	68.54	-	80.25
Benchmark*	-1.91	-1.06	6.44	6.44	47.76	-	51.10

%	2014	2013	2012	2011	2010
Fund	14.87	24.37	17.98	-3.29	-
Benchmark*	6.44	18.97	16.68	-7.00	-

%**	31.12.14 31.12.13	31.12.13 31.12.12	31.12.12 31.12.11	31.12.11 31.12.10	31.12.10 31.12.09
Fund	14.9	24.4	18.0	-3.3	-
Benchmark*	6.4	19.0	16.7	-7.0	-

3 year historical characteristics	Beta	Tracking error	Volatility
Fund	0.82	4.49	12.02
Benchmark*	-	-	13.74

Source: Morningstar Direct (performance data & risk characteristics), as at 31 December 2014.
*MSCI Pan Euro index. **The standardised past performance information is updated on a quarterly basis.
Past performance is not a reliable indicator of future returns; the growth rate is sensitive to currency fluctuations in EUR. Performance and risk information has been provided for I1-EUR share class, net of fees. All performance and risk data is in Euros, the fund's base currency. As the I1-EUR share class was launched less than five years ago, data is not available for all periods.

Sector holdings %	Fund	Bmk*
Industrials	21.4	8.4
Financials	20.5	22.9
Health Care	14.6	15.3
Consumer Discretionary	11.3	8.9
Cash	10.1	--
Consumer Staples	9.9	15.4
Information Technology	4.9	3.1
Materials	3.9	7.1
Energy	3.4	8.9
Others	--	10.0

Country holdings %	Fund	Bmk*
United Kingdom	27.6	31.6
France	12.7	14.7
Germany	12.5	15.3
Switzerland	10.4	15.2
Cash	10.1	--
Spain	5.8	5.4
Ireland	4.8	0.3
Netherlands	4.1	3.7
Italy	2.9	3.3
Sweden	2.0	4.4
Luxembourg	1.9	--
Others	5.4	6.2

Source: Factset, as at 31 December 2014. *Benchmark (Bmk) is the MSCI Pan Euro index.

Top 10 holdings %	Fund	Bmk*
Bayer AG	4.3	1.7
Shire PLC	3.2	0.6
Euronext NV	3.2	--
Ryanair Holdings Plc	3.1	--
Cap Gemini SA	2.8	--
ProSiebenSat.1 Media AG	2.5	--
FinecoBank S.P.A	2.4	--
HSBC Holdings plc	2.2	2.7
Babcock International Group PLC	2.2	--
Royal Dutch Shell Plc Class A	2.1	--

Market cap (US$b) %	Fund	Bmk*
>30	35.2	79.1
10-30	18.7	20.4
5-10	11.0	0.4
2-5	15.5	0.1
0.5-2	6.9	--
0-0.5	2.6	--
Cash	10.1	--

Source: Factset, as at 31 December 2014. *Benchmark (Bmk) is the MSCI Pan Euro index.

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Portfolio manager:

David Robinson

David joined DSP in 2005 after qualifying as a lawyer at Freshfields Bruckhaus Deringer. He started his investment career as an analyst on the Melchior North America Opportunities Fund in 2005. In 2006 he joined DSP's newly formed European long-short team as an analyst on the Melchior European Absolute Return strategy. In 2008, he took over the management of a European equity long-only segregated account, before launching the Melchior European Opportunities Fund in May 2010. David has a degree in Modern History from New College, Oxford.

Risk warning:
Investors should carefully consider the usual risks of investing and participating in listed and unlisted securities.
For more information please consult the current fund and share class specific Key Investor Information Document (KIID) and for a complete set of risks please refer to "VII: General Risk Considerations", which can be found on pages 21-27 of the current prospectus.

Investment background

Anyone expecting the usual Santa rally into year-end was made to endure an uncomfortable December. The volatility that picked up in October returned in December across a number of asset classes and currencies. In Europe, equity markets fell by -8% in little more than a week before rallying to close with a decline of -1.9%. Meanwhile, crude continued to plunge, with Brent falling another US$13 in the month to just over US$57/barrel. This played havoc with petrodollar currencies, which weakened dramatically. At one point the Russian ruble lost a further 40% of its value against the US dollar, before the central bank raised interest rates to 17% to staunch the flow. Buoyed by data that showed the US grew at an annualised rate of +5% in the third quarter, the US dollar continued to strengthen on all fronts, having risen by +13% on a trade-weighted basis in the second half of the year.

While fears of financial instability in petrodollar economies was one source of volatility in European equities, renewed political instability closer to home in Greece was another. The failure of the Samaras government to secure the election of its presidential candidate triggered a general election which is scheduled for 25 January. With the left-wing opposition Syriza ahead in the polls and committed to re-negotiating with the Troika, Greek bond yields rose back towards 10%. However, contrary to the Greek showdown in 2012, the lack of contagion in eurozone government bond markets was notable. Bond yields in Spain and Italy continued to fall in December; remarkably, their respective 10-year bonds closed the year yielding 1.61% and 1.89%, having started 2014 well above 4%. Such is confidence in Mr Draghi, with sovereign bond QE widely expected as early as the first ECB meeting in January. The oil price is accelerating the eurozone's slide into deflation, with preliminary figures suggesting that headline inflation fell in December for the first time since 2009. Comments from a number of ECB board members did little to allay the prospect of full QE, even with the added uncertainty of the Greek election taking place only a few days after the ECB next meets.

Strategy highlights

The Fund returned +1.26% in December, against a decline of -1.91% by the MSCI Pan-Euro. Stock selection was positive during the month, with a number of major holdings posting good gains. The German residential real estate group Gagfah (+43bps) was a notable contributor after receiving a bid from peer Deutsche Annington. I believe that Gagfah's portfolio still has attractive upside potential, but one that is largely captured in the offer at a near 30% premium to NAV, which is very fair and I will accept. Other holdings to perform strongly included Euronext (+48bps), which should be a beneficiary of rising market volatility just as its costs savings become visible, and Ryanair (+40bps), which raised its profit guidance for the second time in a little over a month after seeing a strong response to its new winter schedule and business routes, leading to a jump in its load factor in the seasonally weaker winter months.

The Fund rose by +5.42% in the fourth quarter to close 2014 with a total return in euros of +14.87%, which compared to +6.44% by the MSCI Pan Euro. This was despite the fact that I under-estimated deflationary pressures in the eurozone and the collapse in sovereign bond yields to record lows. Looking ahead, further monetary stimulus in the eurozone should be supportive for European equities in 2015, although the prospect of the first monetary tightening in the US for almost a decade, however tentative and well flagged, is likely to make for a more volatile year for financial assets generally.

Once again, my investments are not be predicated on much of a tailwind from the European economy in 2015. Another year of modest GDP growth in Europe is the most likely outcome, although I believe that there is less likelihood that growth materially disappoints this year. Expectations are more muted than they were 12 months ago and the eurozone should benefit from the favourable combination of a lower oil price and the depreciation of the euro. The former should provide a welcome boost to consumer demand, while the latter should at last enable European equity markets in aggregate to return to elusive earnings growth in 2015.

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Further information:
Please refer to www.edmond-de-rothschild.eu for application forms, prospectus, financial reports, Key Investor Information Documents and historical NAVs (under "NAV centre" look under "Melchior Selected Trust").