Melchior Selected Trust
Global Multi-Asset Fund

Results to 31 December 2014
www.daltonsp.com

Investment manager:
Dalton Capital (Guernsey) Limited

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

Fund size:	US$ 12m
Base currency:	Pounds Sterling (GBP)
Share classes:	A (EUR-hedged Inc) I (EUR-hedged Inc, EUR-hedged Acc, USD-hedged Acc, GBP Acc) P (USD-hedged Acc)
Fees:	
A shares	1.75%
I shares	1.00%
P shares	0.65%
Minimum investment:	
A shares	$10,000 (equivalent)
I shares	$250,000 (equivalent)
P shares	$20m (equivalent)
Legal status:	Luxembourg SICAV with UCITS status
Fund dealing:	Daily
Dealing cut off:	14:00 CET
Benchmark:	N/A
Fund launch:	July 2009

Share class:	ISIN	SEDOL
A1 EUR-Hdg	LU0439127126	B7MBGD4
I1 EUR-Hdg Acc	LU0439127472	B7MBGG7
I1 EUR-Hdg Inc	LU0858476780	-
I2 USD-Hdg	LU0439127555	B7MBGY5
P2 USD-Hdg	LU0858476863	-
I7 GBP	LU0295110042	B1Z4RF7

Current prices/NAVs:

I1 EUR-Hdg Acc	115.41 (€)
I1 EUR-Hdg Inc	101.04 (€)
I2 USD-Hdg	114.73 ($)
P2 USD-Hdg	101.27 ($)
I7 GBP	108.06 (£)

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 "VIII: General Risk Considerations", which can be found on pages 21-27 of the current prospectus.

Monthly returns, net of fees (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007	-	-	-	-	2.3	0.2	-1.1	-3.9	3.4	4.1	-4.9	-0.3	-0.7
2008	-4.9	2.1	-6.0	0.6	-0.4	-4.5	-0.3	0.5	-1.7	-0.9	1.7	6.1	-8.1
2009	-5.2	-2.9	-0.3	4.5	5.8	-0.5	3.2	2.0	4.3	-1.6	1.9	3.0	14.4
2010	-4.1	2.1	5.8	1.4	-6.3	-3.5	1.3	-0.4	5.1	1.4	1.3	4.9	8.6
2011	-0.7	2.6	-1.1	0.9	-2.4	-1.1	0.0	-4.3	-3.0	1.5	-1.2	1.4	-7.4
2012	1.4	1.4	-0.5	-0.6	-1.3	0.6	1.2	0.5	0.8	-0.1	0.1	-0.2	3.3
2013	2.2	0.6	0.7	-1.0	-0.9	-5.7	1.3	-1.5	0.5	1.8	-1.2	0.1	-3.3
2014	-0.5	1.3	-1.1	-0.3	1.3	0.3	0.2	0.8	0.9	-0.6	1.8	0.4	4.4

%	1 month	3 months	Year to date	1 year	3 years	5 years	Since inception
Fund	0.39	1.64	4.41	4.41	4.34	4.26	5.94

%*	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	4.4	-3.3	3.3	-7.7	8.3

Source: Morningstar Direct. Performance to 31 December 2014.
Past performance is not a reliable indicator of future returns; the growth rate is sensitive to currency fluctuations in GBP. Performance has been provided for the I7-GBP share class, net of fees. All performance data is in Pounds Sterling, the fund's base currency. Please note that the Fund adopted new investment policies in December 2012 and underwent a change of Fund Manager in January 2013. Therefore, investment returns prior to these dates may not be representative of the current strategy.
*The standardised past performance information is updated on a quarterly basis.

Top themes
US dollar
Japan
European equities
India
Australia

Top 5 allocations	Risk†
MIF Global Equity	-2.7%
Japanese equities (Topix Fut. + Real Estate)	-2.4%
MST European Opportunities Fund	-2.3%
Goldman Sachs India Equity Portfolio	-1.1%
Philippines Banks	-0.7%

Source: Dalton Strategic Partnership LLP, as at 31 December 2014.

Asset class exposure	% of NAV	Risk†
Equities	30.4	-7.5%
Fixed income / credit	24.5	0.1%
Commodities / real assets	7.5	-0.5%
Relative value	9.7	0.1%
Volatility	0.0	0.0%
Cash	28.7	0.0%

Main currency exposure	% of NAV
GBP	87.8
USD	18.7
EMFX	7.0
AUD	-3.8
JPY	-5.0
CHF	-6.5

Source: Dalton Strategic Partnership LLP, as at 31 December 2014.

Risk characteristics	Expected
Severe case loss	-7.8%
Volatility	6.0%
Var (99%, 1 month)*	3.73%
Equity beta (vs MSCI World)	0.25
Duration (years)	1.5
Yield	1.5%
Gross exposure**	132.7%

Geographical exposure	% of NAV	Risk†
North America	7.5	-0.5%
Europe (inc. UK)	36.2	-3.8%
Japan	5.7	-2.6%
Other developed markets	15.8	0.2%
Asia	13.4	-2.1%
Latin America	0.0	0.0%
EMEA	-6.6	0.9%

Source: Dalton Strategic Partnership LLP, as at 31 December 2014.
*Source: EdRAM, as at 31 December 2014
** Data is actual gross exposure as at 31 December 2014

†Risk values have been calculated using a proprietary risk system. Real risk may differ due to differences in models used. Risk allocation is based on severe case loss.

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Portfolio manager:

Luca Vaiani

Luca joined Dalton Strategic Partnership in September 2012 and has managed the MST Global Multi-Asset Fund since 1 January 2013. From 2005 to 2012 Luca worked for Fondaco SGR in Turin, Italy, where he was responsible for active strategies and alternative investments and has managed global multi-asset absolute return funds for institutional investors. In addition he chaired the investment committee of a private equity infrastructure fund and has advised institutional investors on alternative investments. Luca also served as Chairman of the Board of Directors at Fondaco Lux S.A.. Prior to this he was responsible for Asian and Japanese equity funds at Sanpaolo Asset Management SGR (now called Eurizon Capital SGR). Luca also managed global equity and balanced funds for Sanpaolo Asset Management, after joining the company in the asset allocation research team in 1998. Luca has a Master's Degree in Economics from Universita' Commerciale L. Bocconi in Milan.

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Management company:

Edmond de Rothschild Asset Management, Luxembourg

Administrator/custodian:

Edmond de Rothschild Europe, Luxembourg

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").

The fund

The MST Global Multi-Asset Fund aims to deliver positive absolute returns and compound capital in real terms in all market conditions over a period of 3 years, while maintaining a limited sensitivity to equity markets and volatility below 8%. The fund is actively managed and follows a fundamental and thematic macro approach focusing on asset allocation without benchmark constraints across liquid asset classes, geographies and instruments. The fund is normally diversified across 8 to 10 themes and between 20 and 25 positions with the objective of building a portfolio that is robust in different market environments.

The Fund invests with flexibility in the full spectrum of investments eligible for UCITS schemes, including equities, fixed income securities, commodities, currencies, volatility, cash and money market instruments. Equally the Fund may also invest in collective investment schemes. Derivatives instruments are used for hedging purposes, efficient portfolio management and to take long and short positions in market, credit and currency risks. The fund will not engage in physical short selling. An absolute 'Value at Risk' approach is applied to measure risk and the global exposure is typically kept below 200%.

Market review

Risk assets fell in December, with global equities down 1.9% (for the MSCI AC World, which closes the year up 4.2%), EM assets down between 2.9% (for hard currency government bonds) and 6% (for local currency bonds) and commodity indices declining by more than 7% but with significant dispersion among constituents. Whilst gold was up 1.5%, oil continued to decline (down a further 18% over the month and some 60% from last summer, reaching 50 dollar). The plunge in natural resource prices led to a significant decline in commodity currencies and the ruble lost almost 23% against the dollar reaching 60 USD at the end of the month, despite the interest rate hike to 17%, after having depreciated to 80 in the previous days. Inflation expectations fell as well, in particular in Europe where the market now expects negative headline inflation for the Euro area in December and full-scale QE from the ECB in early 2015. Interest rates continue to decline and the 5 year Bund yield fell to 0%. Economic data confirmed the positive momentum for the US, supporting the dollar (+2.2% in December on a trade-weighted basis) and justifying the outperformance of US equities. Greece, at the opposite, was again in the headlines as the government decided to anticipate the presidential elections and Parliament was then dissolved after being unable to elect a new President, renewing concerns about political stability and causing Greek asset to decline. The market, and us as well, were surprised by the government decision, as the elections were originally scheduled for February 2015.

Performance summary

The Fund gained 0.4% in December, ending the year up 4.4% (for the I7 GBP share class). The main positive contribution came from the currency strategy where the long US dollar positions against a basket of G10 and EM currencies was profitable. In particular the Fund benefited from the short positions in the Hungarian forint, the South African rand and the Australian dollar (respectively down 6.3%, 4.5% and 3.9% for the month). We also profited from the long exposure in Australian interest rates as the 10 year yield on government bonds declined 31 basis points in December reaching 2.73%. Despite the weakness in the equity market, the Fund's equity exposure was only marginally negative, with gains in Europe and in short positions in some of the emerging markets offsetting the losses recorded in the Indian and US exposures. The Fund main losses came from our small positions in Greek equities and bonds. Given their small size we keep these positions for the moment, but remain vigilant on the situation.

Fund activity and outlook

The clearest trend we saw in recent months was the one on the US dollar. We first became positive on the dollar by a process of elimination, i.e. by finding fundamental reasons for other currencies to depreciate. A few months later we are still of the same view. In the past decade, the world has become structurally short the dollar. Corporates and banks all over EM have accumulated significant dollar liabilities, pension funds and endowments have diversified away from the dollar and are long EMFX. Central banks did the same with their reserves piling up Euro, Australian dollar and other major currencies. The cyclical outperformance of the US economy and the Fed's likely normalization stance may sustain the dollar. Strong dollar and slower Chinese growth is bad news for EM FX, in light of the massive cumulative capital inflows of the last decade. We are of the view that the asset management industry could potentially be a source of vulnerabilities for EM asset markets. Looking at the number of shares/units issued by the main ETFs and dedicated EM funds, we realize that investors did not sell much of EM yet. As the presence of asset managers in EM has grown considerably, the concentrated use of benchmarks and the directional co-movement of investor flows can generate correlated investment patterns that may create one-sided markets and exacerbate price fluctuations. Market liquidity could become more dependent on the portfolio allocation decisions of only a few large institutions. Within EM, however, we continue to have a positive view on India, where the Fund is long both equities and bonds. The decline in the oil price will reduce Indian oil imports by about 3% of GDP, driving the current account balance back into equilibrium and contributing to the disinflation. This should sustain the currency and allow monetary policy to be eased to sustain economic growth.