

Melchior Selected Trust

European Absolute Return Fund

Results to 31 October 2013
www.daltonsp.com

Investment Objective:

The Fund is a pan-European all cap equity long / short fund which combines a fundamental approach to stock selection with an active trading overlay.

Investment manager:

Dalton Capital (Guernsey) Limited

Countries of registration:

Luxembourg, UK, France, Germany, Italy (qualified investors), Spain

Fund size: EUR 287m

Base currency: Euros

Share classes: Euro, GBP, USD, JPY (all non-Euro share classes are hedged)

Fees:

A shares 2.00%
H shares 1.75%
I shares 1.50%

Performance fee: 20% of return in excess of 1 month Euribor. Half of the performance fee is deferred and retained in the fund for a period of two years.

Minimum investment:

A shares \$10,000 (equivalent)
H shares £5,000 (equivalent)
I shares \$250,000 (equivalent)

Legal status: Luxembourg SICAV with UCITS status

Fund dealing: Daily

Dealing cut off: 14:00 CET

Benchmark: N/A

Fund launch: 2nd February 2010

Share class:	ISIN	SEDOL
A1 EUR	LU0476438485	B598V73
H GBP	LU0572597879	B592F62
I1 EUR	LU0476438642	B5WG7J8
I2 USD	LU0476438725	B5W21X8
I3 JPY	LU0706247375	B72W4Q6
I7 GBP	LU0476439020	B5VK9P1

Current prices/NAVs:

A1 EUR	102.27(€)
H GBP	0.97 (£)
I1 EUR	106.46(€)
I2 USD	104.82(\$)
I3 JPY	9311.8(¥)
I7 GBP	106.17(£)

Monthly returns, net of fees (EUR)

-	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	-	-	0.8	1.9	-0.1	-0.8	0.0	3.1	0.5	1.4	2.2	1.3	10.3
2011	-1.3	0.1	1.5	0.3	0.5	1.5	0.3	1.2	1.2	0.3	1.1	-0.3	6.6
2012	-0.5	-1.7	-0.6	0.0	-0.1	-0.7	0.5	0.4	0.0	-1.1	-0.7	-0.6	-5.0
2013	0.4	0.6	-0.6	-1.3	-1.9	0.2	0.1	-0.4	-1.3	-0.6	-	-	-4.7

%	3M	YTD	1 year	3 years	5 years	Since inception	Ann. Since inception
Fund	-2.26	-4.67	-5.92	-0.06	-	6.46	1.69

%*	30.09.13	30.09.12	30.09.11	30.09.10	30.09.09	30.09.08
Fund	-6.4	-1.6	10.6	-	-	-

Source: Dalton Strategic Partnership LLP. Performance to 31 October 2013.

Past performance is not a reliable indicator of future returns; the growth rate is sensitive to currency fluctuations in EUR. Performance has been provided net of fees for the I-EUR share class. All performance data is in Euros, the fund's base-currency.

*The standardised past performance information is updated on a quarterly basis.

Sector Exposure	Long %	Short %	Gross %	Net %	Country exposure	Long %	Short %	Gross %	Net %
Consumer Disc.	5.9	-	5.9	5.9	Britain	18.0	-9.0	27.0	9.0
Consumer Stap.	2.6	-5.7	8.4	-3.1	Finland	-	-	0.0	0.0
Energy	-	-	0.0	0.0	France	4.2	-4.9	9.2	-0.7
Financials	9.0	-7.7	16.7	1.4	Germany	2.9	-17.3	20.3	-14.4
Futures & Opt.	-	-20.8	20.8	-20.8	Ireland	2.0	-	2.0	2.0
Health Care	3.0	-2.4	5.4	0.7	Italy	1.4	-2.9	4.3	-1.5
Industrials	5.2	-7.3	12.5	-2.1	Netherlands	0.4	-	0.4	0.4
Information Tec.	2.4	-	2.4	2.4	Norway	-	-	0.0	0.0
Materials	6.4	-5.5	11.8	0.9	Spain	-	-9.1	9.1	-9.1
Utilities	-	-	0.0	0.0	Sweden	-	-3.1	3.1	-3.1
					Switzerland	5.6	-2.9	8.5	2.8
Totals	34.5	-49.3	83.8	-14.8	Totals	34.5	-49.3	83.8	-14.8

Source: Dalton Strategic Partnership LLP, as at 31 October 2013. Month end data.

Top 10 holdings (long portfolio)	Exposure %	Market cap exposure	Long %	Short %	Gross %	Net %
BARCLAYS PLC	5.2	Large (> €5bn)	23.4	-40.9	64.3	-17.6
UBM PLC	4.4	Mid (€1 bn - €5bn)	11.1	-8.4	19.5	2.8
CLARIANT AG-REG	3.0	Small (€200m - €1bn)	0.0	0.0	0.0	0.0
RIO TINTO PLC	3.0	Micro (< €200m)	0.0	0.0	0.0	0.0
NESTLE SA-REG	2.6	Risk analysis (vs. Euro Stoxx 600)				Beta (since inception) -0.02 Correlation (since inception) -0.12 Sharpe ratio (1 year) -2.38 Volatility (1 year) 2.92
ATOS	2.4					
RYANAIR HOLDINGS PLC	2.0					
DIRECT LINE INSURANCE	1.7					
LONDON STOCK EXCHANGE GROUP	1.6					
GLAXOSMITHKLINE PLC	1.5					

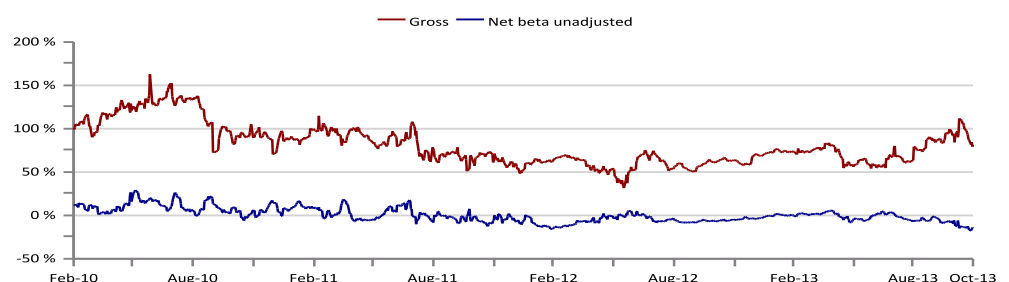
Source: Dalton Strategic Partnership (top 10 and market cap) and Bloomberg (Risk analysis), as at 31 October 2013. Month end data.

Risk analysis calculated for I-EUR share class in Euros, net of fees.

Portfolio exposure (%)		
Gross	83.80	Largest Single Long Position 5.15
Long	34.5	No of Long Positions 17
Short	-49.3	Largest Single Equity Short -4.44
Net	-14.8	No of Short Positions 22

Source: Dalton Strategic Partnership LLP, as at 31 October 2013. Month end data.

Historical gross and net exposures (source DSP) *



Source: Dalton Strategic Partnership LLP, as at 31 October 2013

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Fund manager:



Leonard Charlton

Leonard Charlton, Partner, has experience in trading and investment dating back to 1988. He started his career as an equity trader for Goldman Sachs before moving to GLG in 2003, where he was Co-Manager of the GLG European Opportunity Fund. He joined Dalton Strategic Partnership in 2006 and has managed the Fund since it launched in February 2010. Leonard holds a BSc in Management Science from the University of Manchester Institute of Science and Technology.

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 "X: General Risk Considerations", which can be found on pages 23-31 of the current prospectus.

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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").

Strategy highlights

October was another strong month for European equities, which rose by almost +4%. Whereas September had brought a raft of market friendly news, news flow was more mixed in October. In Washington, political gridlock led to a shutdown of the Federal government for over a fortnight, the third longest in US history. As expected, the US debt ceiling was lifted at the eleventh hour, but the deal was only a temporary fix, funding the government until early 2014. The market pressure that we had anticipated did not materialize. The shutdown had a silver lining, playing havoc with the release of economic data, and the absence of reliable data was interpreted as more likely to delay the start of tapering by the Fed from December to March at the earliest. By then, Janet Yellen, whose appointment was confirmed by the White House, will have taken the helm as Chairman of the Fed. With Yellen widely regarded as a dove, her appointment was well received by financial markets.

Eurozone PMI surveys moderated in October, albeit at a level still consistent with expansion. The Citigroup Economic Surprise Index for the region also turned down, having tracked economic data higher over the summer. In spite of this, the euro continued to strengthen, at one point reaching US\$1.38 against the US dollar, a level that is increasingly unhelpful for competitiveness in the Eurozone and therefore for an economic recovery. It is also reinforcing deflationary pressures in the region, with core Eurozone CPI in October falling to the lowest level (+0.8%) since the inception of the single currency. The strength of the Euro is now also an unwelcome headwind for corporate profits for many European companies, as witnessed in what overall has been a lackluster earnings season for the third quarter.

The combination of earnings estimates drifting lower and strong share price gains now leaves European equities trading on 15x earnings, at the upper end of their 10-year average. With recent market gains coming against a marginally deteriorating backdrop, the Fund increased its net short exposure during the month. In a rising market, this weighed on performance, with the Fund declining by -0.6% during the month. We believe that the risk / reward is now skewed to the downside.

Positive contributors in October included the holdings in Atos (+24bps) and STS Ansaldo (+18bps). Although Atos reported mildly disappointing results, the commentary on the pipeline of deals and some evidence of a cyclical recovery was encouraging. There was also some buying ahead of the investor day in November, which will deliver medium-term targets and an update on strategy for the payment business, where we believe there is potential to unlock value. STS performed well after reports that the Italian government is becoming more receptive to a sale of STS in return for guarantees over employment in Italy. In our view, STS is an attractive industrial asset, likely to be of interest to a number of buyers, with GE recently expressing interest in the company. Recent M&A multiples in the rail sector suggest material upside in this event.

Negative returns came from a short position in an industrial conglomerate (-25bps), which rallied as the sell side pushed restructuring stories that in our view are already priced in to the equity, and from a recent acquisition in United Business Media (-13bps). The combination of a small cut to earnings guidance and a weaker margin in its high quality Events business with the already announced departure of the CEO led to an over-reaction in the share price. The Events margin will recover in the fourth quarter due to the phasing of biennial events, while we see the change of CEO as an opportunity for strategic portfolio action and, potentially, corporate activity.

During the month, we initiated a short position in a real estate agent in the UK. We believe there is a structural downside risk to its fee structure with an average sales fee of 2.5%, materially above the UK average of 1.5%-2.0%. Given increasing price transparency, we do not believe this premium is sustainable and also see downside to margins as the group expands outside of its London base. Given further signs of an improvement in the UK real estate market, the Fund hedged its exposure by acquiring a shareholding in Countrywide, which has lower margins and greater leverage to a recovery in transaction volumes.

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