

Melchior Selected Trust

European Enhanced Absolute Return Fund

Results to 31 December 2014
www.daltonsp.com

Investment manager:

Dalton Capital (Guernsey) Limited

Countries of registration:

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

Fund size: US\$ 83.3m

Base currency: Euros

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

Fees:

I shares 2.00%

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

Minimum investment:

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: 17th December 2013

Share class: ISIN SEDOL

| | | |
|--------|--------------|---------|
| I1 EUR | LU1001509212 | - |
| I2 USD | LU1001509485 | - |
| I7 GBP | LU1001509568 | BHFJOT9 |

Current prices/NAVs:

| | |
|--------|-------------|
| I1 EUR | 149.24 (€) |
| I2 USD | 150.00 (\$) |
| I7 GBP | 152.29 (£) |

Monthly returns, net of fees (EUR)*

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|------|-----|-----|------|------|-----|------|-----|-----|-----|-----|------|------|------|
| 2013 | - | - | - | - | - | - | - | - | - | - | - | -2.9 | -2.9 |
| 2014 | 3.9 | 2.2 | -0.9 | -1.2 | 1.8 | -1.4 | 1.0 | 1.8 | 1.8 | 1.2 | -2.5 | 2.4 | 10.2 |

| % | 1 month | 3 months | YTD | 1 year | 3 years | 5 years | Since inception |
|------|---------|----------|-------|--------|---------|---------|-----------------|
| Fund | 2.43 | 1.04 | 10.22 | 10.22 | - | - | 6.99 |

| %* | 31.12.14 | 31.12.13 | 31.12.12 | 31.12.11 | 31.12.10 | 31.12.09 |
|------|----------|----------|----------|----------|----------|----------|
| Fund | 10.2 | - | - | - | - | - |

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 EUR. Performance has been provided net of fees for the I1-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. As the I1-EUR share class was launched less than five years ago, data is not available for all periods.

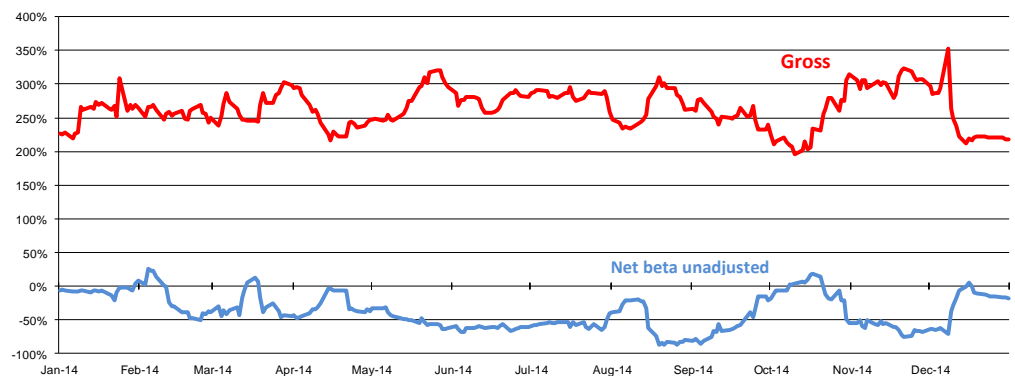
| Sector exposure | Long % | Short % | Gross % | Net % | Country exposure | Long % | Short % | Gross % | Net % |
|------------------|--------|---------|---------|-------|------------------|--------|---------|---------|-------|
| Consumer Disc. | 22.2 | -23.3 | 45.5 | -1.2 | Britain | 33.5 | -28.0 | 61.5 | 5.5 |
| Consumer Staples | 10.7 | -17.0 | 27.7 | -6.3 | Denmark | 8.9 | 0.0 | 8.9 | 8.9 |
| Energy | 2.0 | 0.0 | 2.0 | 2.0 | Finland | 0.0 | -9.3 | 9.3 | -9.3 |
| Financials | 19.1 | -16.0 | 35.1 | 3.1 | France | 10.7 | -14.3 | 25.1 | -3.6 |
| Futures | 0.0 | -5.9 | 5.9 | -5.9 | Germany | 18.5 | -17.3 | 35.8 | 1.2 |
| Healthcare | 5.6 | -3.9 | 9.5 | 1.7 | Ireland | 9.5 | 0.0 | 9.5 | 9.5 |
| Industrials | 18.4 | -31.4 | 49.9 | -13.0 | Italy | 5.6 | 0.0 | 5.6 | 5.6 |
| Materials | 17.2 | -10.5 | 27.7 | 6.6 | Luxembourg | 0.0 | -3.1 | 3.1 | -3.1 |
| Tech | 3.5 | -7.5 | 11.0 | -3.9 | Norway | 0.0 | -10.9 | 10.9 | -10.9 |
| Utilities | 1.5 | -2.6 | 4.1 | -1.0 | Spain | 5.8 | 0.0 | 5.8 | 5.8 |
| | | | | | Sweden | 3.2 | -8.2 | 11.4 | -5.0 |
| | | | | | Switzerland | 4.5 | -21.1 | 25.7 | -16.6 |
| | | | | | US | 0.0 | -5.9 | 5.9 | -5.9 |
| Totals | 100.2 | -118.1 | 218.3 | -17.9 | Totals | 100.2 | -118.1 | 218.3 | -17.9 |

Source: Dalton Strategic Partnership LLP, as at 31 December 2014. Month-end data. "Country exposure" includes the effect of futures contracts relating to each country.

| Top 10 holdings (long portfolio) | Exposure % | Market cap exposure | Long % | Short % | Gross % | Net % |
|----------------------------------|------------|-----------------------|--------|---------|---------|-------|
| PANDORA A/S | 8.9 | Large (> €5bn) | 71.9 | -75.7 | 147.6 | -3.8 |
| LINDE AG | 6.8 | Mid (€1bn - €5bn) | 28.3 | -42.5 | 70.8 | -14.1 |
| KERRY GROUP PLC-A | 6.5 | Small (€0.2bn - €1bn) | 0.0 | 0.0 | 0.0 | 0.0 |
| FINCOBANK SPA | 5.6 | Micro (< €0.2bn) | 0.0 | 0.0 | 0.0 | 0.0 |
| BABCOCK INTL GROUP PLC | 4.7 | Portfolio exposure | | | | |
| CLARIANT AG-REG | 4.5 | | | | | |
| BARCLAYS PLC | 4.2 | | | | | |
| RECKITT BENCKISER GROUP PLC | 4.2 | | | | | |
| DIXONS CARPHONE PLC | 4.2 | | | | | |
| EURONEXT NV - W/I | 3.9 | | | | | |

Source: Dalton Strategic Partnership, as at 31 December 2014. Month-end data.

Historical gross and net exposures



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

Melchior Selected Trust

European Enhanced Absolute Return Fund

Results to 31 December 2014

www.daltonsp.com

Fund manager:



Leonard Charlton

Leonard Charlton, Partner, has experience in trading and investment dating back to 1998. 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 to launch the Melchior European Absolute Return Strategy.

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

Contact us:

Dalton Strategic Partnership LLP, London

Email: info@daltonsp.com

Telephone: +44 (0) 20 7367 5400

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").

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.

- The Fund is designed to achieve consistent positive absolute returns, irrespective of market conditions.
- The team pursues this objective by taking 40-60 long and short positions in listed European equities.
- The returns are intended to have a low correlation to equity, bond or cash markets.

Strategy highlights

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 1.6% and 1.9%, 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.

The fund finished the month up 1.3% net of fees to finish the year up 5.5%. A number of pain points in the short book last month reversed to bolster monthly performance. Tactical movement in the fund's net position from a large net short position at the start of the month, as tail risk increased with the impending Greek election, to a neutral position in to month end also contributed.

As 2015 begins, we expect the year ahead to be classified by heightened volatility with divergent approaches by US and European central banks vis a vis withdrawing and initiating quantitative easing. Elections in the UK, Spain and Greece are also likely to heighten the risk environment.

In December there was supportive evidence for investment theses in the long book. Stock exchange Euronext (+60bps) reported strong monthly trading volumes, as it benefits from rising market volatility which will drive revenue at the same time that it is delivering on a large cost savings programme. Ryanair (+38bps) raised its full year profit guidance on the back of a stronger start to the Winter season; November capacity growth of 13% was accompanied by a load factor increase of 7% points, demonstrating the performance of new business routes and brand improvement. Dixons Carphone (+38bps) had a strong results release with a 26% beat to operating profit and notably strong like for like revenue performance in UK of 11% growth. The biggest detractor was oil company ENI (-42bps) which was under pressure due to its high sensitivity to the oil price.

The short book benefited from a collapse in merger talks in the oil services space (+121bps); we saw very little rationale for the deal given the high price and limited synergies. A short position in an internet stock (+50bps) gave back some of the prior month's gains and we think the valuation is still well above what is justified by fundamentals. A short position in an auto supplier (-63bps) held back performance on a positive order announcement, but with the share price move greater than the financial impact of the order and a risk to group margins, we continue to stay short.

This document is issued in the UK by Dalton Strategic Partnership LLP ("DSP"), which is authorised and regulated in the UK by the Financial Conduct Authority.

This document does not constitute or form part of any offer to issue or sell, or any solicitation of any offer to subscribe or purchase any shares or any other interests nor shall it or the fact of its distribution form the basis of, or be relied on in connection with, any contract thereof. This document is not directed at you if we are prohibited by any law of any jurisdiction from making the information in this document available to you. Recipients of this document who intend to apply for shares or interests in the Funds are reminded that any such application may be made solely on the basis of the information and opinions contained in the Prospectus or other offering document relating thereto, as and when they become available, which may be different from the information and opinions contained in this document. Please refer to the relevant Prospectus.

All data and statistics are sourced from DSP unless otherwise stated. Performance statistics are not necessarily based on audited financial data. Past performance is not necessarily indicative of future results and you may not retrieve your original investment. Changes in rates of exchange may affect the price of units or shares.

For non-professional investors: if you have any doubt as to the suitability of any product, please consult your independent financial advisor.

The securities referenced in this document have not been registered under the Securities Act of 1933 (the "1933 Act") or any other securities laws of any other U.S. jurisdiction. Such securities may not be sold or transferred to U.S. persons unless such sale or transfer is registered under the 1933 Act or exempts from such registration.

Please use the following internet address to view important information about the Dalton companies:

<http://www.daltonsp.com/information.asp>