

Melchior Selected Trust

Japan Advantage Fund

Results to 28 February 2014

www.daltonson.com

Investment objective:

Capital appreciation through selective investment in Japanese equities.

Investment manager:

Dalton Capital (Guernsey) Limited

Investment style:

A combination of top down sector allocation and bottom up stock selection producing a value biased, diversified portfolio of predominantly large cap companies.

Countries of registration:

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

Fund size: US\$ 112m

Number of stocks: 94

Base currency: Japanese Yen (JPY)

Share classes: B (JPY, Euro, USD)
E (Euro-hedged, USD-hedged, CHF-hedged)
I (GBP, JPY)

Fees:

B & E shares 1.65%

I shares 0.85%

Minimum investment:

B, E & I shares \$250,000 (equivalent)

Legal status: Luxembourg SICAV with UCITS status

Fund dealing: Daily

Dealing cut off: 14:00 CET

Benchmark: Topix (with dividend)

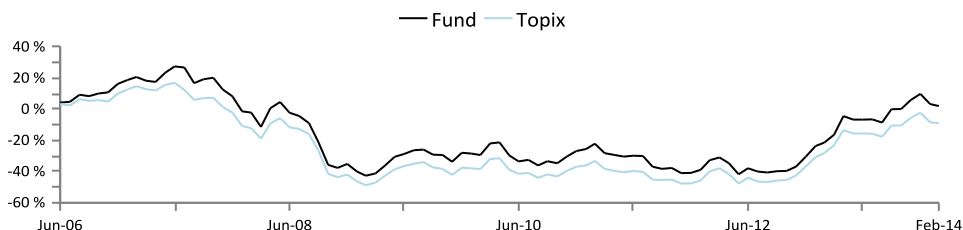
Fund launch: 19th June 2006

Share class:	ISIN	SEDOL
B1 EUR	LU0258103174	B1NZS59
B2 USD	LU0258103331	B1NZS71
B3 JPY	LU0258103505	B1NZS93
E1 EUR	LU0592236409	B3WYLL8
E2 USD	LU0948085708	-
E5 CHF	LU0948087662	-
I3 JPY	LU0858476608	B7SM6S6
I7 GBP	LU0258104149	B1NZSH1

Current prices/NAVs:

B1 EUR	106.1 (€)
B2 USD	115.07 (US\$)
B3 JPY	10176.78 (¥)
E1 EUR	143.61 (€)
E2 USD	103.66 (\$)
E5 CHF	102.87 (CHF)
I3 JPY	160.49 (¥)
I7 GBP	128.57 (£)

Percentage growth, total return (JPY)



%	1M	YTD	1 year	3 years	5 years	Since inception	Ann. Since inception
Fund	-1.25	-7.12	29.78	30.99	77.88	2.10	0.27
Benchmark*	-0.71	-6.93	26.60	36.16	77.78	-8.94	-1.21

%	2013	2012	2011	2010	2009
Fund	57.96	17.60	-19.19	1.55	11.02
Benchmark*	54.41	20.86	-17.00	0.96	7.62

%**	31.12.13	31.12.12	31.12.11	31.12.10	31.12.09
Fund	58.0	17.6	-19.2	1.5	11.0
Benchmark*	54.4	20.9	-17.0	1.0	7.6

1 Year historical characteristics	Beta	Tracking error	Volatility
Fund	1.01	3.14	25.29
Benchmark*	-	-	24.85

Source: Dalton Strategic Partnership LLP (performance data) and Bloomberg (risk characteristics), as at 28 February 2014.

*Topix 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 JPY. Performance and risk data has been provided for the B3-JPY share class, net of fees. All performance and risk data is in Japanese Yen, the fund's base currency.

Sector holdings %	Fund	Bmk*
Consumer Discretionary	20.8	20.4
Consumer Staples	6.1	7.2
Energy	1.1	1.1
Financials	18.6	18.2
Health Care	4.0	6.1
Index Tracker	0.7	0.0
Industrials	21.7	21.7
Technology	11.2	10.8
Materials	7.4	6.8
Telecom Services	7.0	5.4
Utilities	1.4	2.3
Cash	0.3	0.0

Source: Factset, as at 28 February 2014. *Benchmark (Bmk) is the Topix index.

Top 10 holdings %	Fund	Bmk*	Market Cap (US Billion) %	Fund	Bmk*
Toyota Motor Corp.	6.4	4.7	>30	39.2	29.5
Mitsubishi Ufj Financial Group Inc.	4.5	2.6	10-30	28.4	30.1
Honda Motor Co. Ltd.	3.7	1.9	5-10	8.2	13.7
Sumitomo Mitsui Financial Grp Inc.	3.4	2.0	2-5	13.8	13.5
Softbank Corp.	3.2	2.2	0.5-2	8.9	9.3
Hitachi Ltd.	3.1	1.1	0-0.5	1.2	3.9
Japan Tobacco Inc.	2.9	1.2	Cash	0.3	0.0
Nippon Telegraph & Telephone Corp	2.3	1.3			
Tokio Marine Holdings Inc.	2.0	0.7			
Mizuho Financial Group Inc.	2.0	1.6			

Source: Factset, as at 28 February 2014. *Benchmark (Bmk) is the Topix index.

Investment advisor:



Akira Yoshimi

Akira has managed the Fund since its launch in 2006. He has worked at Dalton Capital (Japan) Inc. since it was established and registered in April 2013 and prior to that at FuNNeX, which performed the role of investment advisor for the Fund. Akira joined FuNNeX in August 2005 from Daiwa International Capital Management (currently Daiwa SB Investments), where he worked for the investment management team, having joined in 1987 as a Japan Equity Fund Manager. Later roles included leader of Japanese Equity Value-Oriented Team managing JPY150bn for institutional clients.

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 Investment Advisors, Luxembourg

Administrator/custodian:

Banque Privée 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 background

In February 2014, the benchmark (Topix with dividend) fell by 0.71%, following on from the sharp decline experienced in January (-6.26%), as equity market volatility continued.

In early February the Nikkei 225 dropped to 14,000 due to anxiety over emerging economies, deterioration in US economic indicators and a slowdown in the Chinese economy. However, as the month progressed it demonstrated upward momentum due to steady corporate earnings results and the continuing US market recovery, closing February at around the previous month-end level. The Yen rate, which had appreciated sharply relative to the US dollar in January, climbed to 100.76 on February 2nd but fell back to 102 by mid month. The Ukraine crisis drove the Yen/US Dollar exchange rate down to 101 by month-end. In this market environment performance by business sectors was mixed. A similar return reversal movement to that of January was seen at both stock and sector level. The smaller and more laggard sectors outperformed while representative exporters and economy sensitive sectors such as automobiles, machinery, banks and real estate were sold due to risk-off sentiment.

The five best performing sectors within the Topix were mining, electric appliances, fishery, agriculture & forestry, precision instruments and pulp & paper. The five worst performing sectors were real estate, securities, iron & steel, other financial business and retail trade.

Strategy highlights

The fund underperformed its benchmark in February mainly as a result of stock selection, but sector selection also demonstrated a slightly negative effect. We retained our major holdings and sector allocations based on their favourable earnings forecasts and attractive valuations. Our major overweight sectors such as automobiles and big banks underperformed. Although the electrical appliances and wholesale trade sectors in the benchmark outperformed, our holdings within both underperformed due to profit taking and a return reversal movement.

On the stock selection front, Olympus (precision instruments) was the best contributor. The company posted fabulous business results and attracted investor focus. KDDI and NTT (information & communication) also supported performance. KDDI revealed steady earnings growth despite intensified business competition. NTT unveiled a large scale buyback plan, pushing its stock price higher. Nidec and Omron (electric appliances) continued to be bought, backed by promising earnings growth outlooks. In contrast, Mitsubishi UFJ Financial Group and Sumitomo Mitsui Financial Group (banks) were a drag on performance in the weak market environment. Honda (automobile), Square Enix (information & communication) and Kawasaki Heavy Industries (transportation equipment) also provided negative contributions. Honda's conservative earnings estimates disappointed investors. Square Enix, the best performer in the previous month, sank under profit taking pressure. Kawasaki Heavy revised its operating profit projections upwards, but the stock price dipped. On the sector selection front, electric appliances, information & communication, chemicals, precision instruments and wholesale trade were the major favourable contributors. On the other hand, banks, transportation equipment, real estate, retail trade and machinery were the major negatives.

Positive Q3 business results showed that a strong positive earnings trend is still underway. The main drivers are swelling domestic and overseas sales, particularly in the US, and the Yen's depreciation. Meanwhile, we expect an inevitable slowdown in the domestic economy over the second quarter of 2014 due to the implementation of the consumption tax hike. Therefore, the extent to which external sales can compensate the lower domestic demand to deliver the sustainable corporate earnings growth for FY2014 will become a key issue. In this context, we are concerned about the current global environment. Although the US economy looks in line with a recovery phase, uncertain emerging economies have not settled down. We are also concerned about the situation in Ukraine. A continuation of testing market conditions is likely to result in ongoing market volatility until the risk factors described recede. We expect to maintain our focus on careful stock selection, seeking out more attractive earnings growth and valuations based on our basic portfolio view comprised of a good combination of exporters and domestic demand related sectors.

Major overweighting sectors (reasons)

- Transportation equipment (weaker yen, earnings growth)
- Information & communication (telecoms, solid earnings growth)
- Wholesale trade (attractive valuation)

Major underweighting sectors (reasons)

- Pharmaceuticals (less attractive earnings forecast, higher valuation)
- Chemicals (unfavourable basic chemical market)
- Construction (uncertain corporate earnings affected by higher labour cost)

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>