

Management company:

Edmond de Rothschild Asset Management (Luxembourg)

Investment manager:

Dalton Strategic Partnership LLP

Countries of registration:

Austria, Finland, France, Germany, Ireland, Italy (qualified investors), Luxembourg, Norway, Spain, Sweden, Switzerland and United Kingdom.

[Please note that individual share class registrations will vary by country. For a full list of registrations by individual share class, please refer to [Melchior Fund Codes and Registrations](#)]

Fund size: \$27.1m

Base currency: Euro

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

Fees:

H shares 1.75%
I shares 1.50%
L shares 1.00%

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

Minimum investment:

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

Legal status: Luxembourg SICAV with UCITS status

Fund dealing: Daily

Dealing cut off: 14:00 (Luxembourg)

Benchmark: N/A

Fund launch: 02 February 2010

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 27-36 of the current prospectus.

Monthly returns, net of fees (EUR)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	-	-	0.7	1.9	-0.1	-0.8	0.0	3.1	0.5	1.4	2.2	1.3	10.6
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	1.1	0.5	-3.1
2014	2.2	1.0	-0.7	-1.0	1.8	-0.8	0.5	1.1	0.8	0.6	-1.2	1.2	5.5
2015	-1.2	1.2	1.6	0.4	1.6	0.4	-0.1	0.7	-0.3	-0.4	1.5	0.5	6.0
2016	0.2	0.2	-1.5	-1.9	-0.1	-1.6	-2.7	0.0	-0.6	-1.0	-1.2	-1.0	-10.8
2017	-1.6	-0.6	-0.4	-1.2	-1.6	0.9	0.9	-0.2	-0.2	-1.5	0.6	1.7	-3.1
2018	0.0	1.5	1.1	-1.3	0.0	1.6	-0.4	0.6	0.6	-0.6	0.1	0.4	3.2
2019	2.3	0.9	0.0	-1.5	-0.4	-0.4	1.3	1.2	-0.4	1.7	-0.8	0.5	4.5
2020	-0.5	0.3	-3.1	0.8	-1.4	1.7	1.0	-0.9	0.3	0.1	-1.2	-1.1	-4.0
2021	-1.9	1.4											-0.5

%	1 month	3 months	YTD	1 year	3 years	5 years	Since inception
Fund	1.40	-1.62	-0.53	-4.40	1.51	-11.42	7.61

%*	31.12.20	31.12.19	31.12.18	31.12.17	31.12.16
Fund	-4.0	4.5	3.2	-3.1	-10.8

Past performance is not a reliable indicator of future performance. Source: Dalton Strategic Partnership LLP. Performance to 28 February 2021. 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.

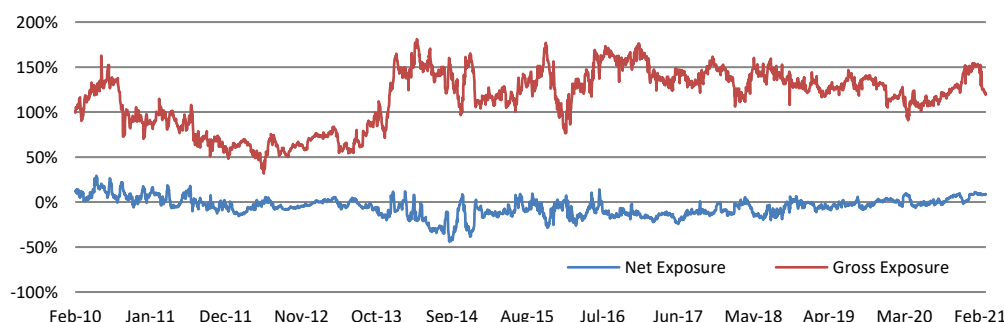
Sector exposure	Long %	Short %	Gross %	Net %	Country exposure	Long %	Short %	Gross %	Net %
Consumer Staples	7.9	-2.2	10.1	5.8	Britain	14.8	-5.3	20.1	9.5
Energy	-	-	-	-	France	11.6	-1.4	13.0	10.2
Financials	9.8	-	9.8	9.8	Germany	2.7	-2.4	5.0	0.3
Health care	10.9	-2.4	13.3	8.5	Ireland	2.0	-1.1	3.1	0.9
Industrials	10.7	-4.0	14.6	6.7	Italy	4.2	-1.3	5.6	2.9
Materials	3.5	-	3.5	3.5	Luxembourg	0.9	-1.0	1.9	-0.1
Real estate	2.6	-	2.6	2.6	Netherlands	5.3	-0.0	5.4	5.3
Information Technology	7.0	-3.1	10.1	3.9	Norway	1.0	-1.6	2.6	-0.6
Communication Services	2.2	-0.2	2.4	1.9	Spain	5.3	-1.0	6.3	4.3
Utilities	0.7	-1.0	1.7	-0.3	Switzerland	6.9	-0.4	7.2	6.5
Futures & Options	-	-37.2	37.2	-37.2	Other	8.2	-2.1	10.2	6.1
					Futures & Options	-	-37.2	37.2	-37.2
Total	64.2	-55.4	119.6	8.7	Total	64.2	-55.4	119.6	8.7

Source: Dalton Strategic Partnership LLP, as at 28 February 2021. 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 %
CARREFOUR SA	3.8	Mega Cap (>€5bn)	31.6	-45.5	77.1	-13.9
RECKITT BENCKISER GROUP PLC	2.2	Large Cap (€1bn -€5bn)	30.0	-9.9	39.9	20.1
VIVENDI	2.2	Small (€0.2bn - €1bn)	2.6	-	2.6	2.6
ROCHE HOLDING AG-GENUSSCHEIN	2.2	Micro (<€0.2bn)	-	-	-	-
ASR NEDERLAND NV	2.1	Portfolio exposure				
NESTLE SA-REG	1.9	Largest single equity long %				3.77
MERCK KGAA	1.8	No. of long positions				54
ROBERTET SA	1.7	Largest single equity short %				-1.62
THULE GROUP AB/THE	1.6	No. of short positions				30
MUSTI GROUP OY	1.6					

Source: Dalton Strategic Partnership, as at 28 February 2021. Month-end data.

Historical gross and net exposures



Source: Dalton Strategic Partnership, as at 28 February 2021. Month-end data.

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 LLP 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.

Share class:	ISIN	SEDOL
H GBP H	LU0572597879	B598V73
I1 EUR	LU0476438642	B592F62
I2 USD H	LU0476438725	B5WG7J8
I3 JPY H	LU0706247375	B5W21X8
I7 GBP H	LU0476439020	B72W4Q6
L1 EUR	LU2085695208	BL5H1M1
L2 USD H	LU2085695463	BL5H1K9
L7 GBP H	LU2085695620	BL5H1L0

Current prices/NAVs:

H GBP	1.04 (£)
I1 EUR	107.61 (€)
I2 USD	105.50 (\$)
I3 JPY	9568.00 (¥)
I7 GBP	112.69 (£)
L1 EUR	95.08 (£)

Investment commentary

Rising growth and inflation expectations, and the corollary of higher bond yields, were the dominant drivers of financial markets in February. This was particularly marked in the US, where the combination of the US\$1.9 trillion stimulus package proposed by the Biden administration and the accelerated re-opening in a number of states has already led to a material upward revision in real GDP growth forecasts for 2021 from 3.9% at the turn of the year to 5.5% at the time of writing.

US inflation expectations, measured by the 5-year breakeven rate, jumped to 2.5%, the highest since 2008. The record of this measure over the years suggests it has more value as a gauge of sentiment, rather than as a predictor of future price levels. A significant distinction from previous recent economic cycles is that the Fed, along with other central banks, have clearly signalled their willingness to tolerate a higher level of inflation before tightening monetary policy. Commodity prices continued to climb in February, notably Brent, which jumped by another 18% and copper by 15%. These increases are now feeding through to manufacturing prices, with the ISM index of prices paid increasing to 86.0, a level surpassed in only 5 months during the past 30 years. Nevertheless, we believe it is important to make a distinction between the impact of higher commodity prices, which are often more transitory, and sustained core inflation. The latter is a much longer process, for which there is limited evidence so far.

The combination of higher growth and inflation expectations accelerated the rise in longer duration Treasury yields, with the 10 year yield rising from 1.07% to 1.41% and the 30-year from 1.83% to 2.15%. The yield curve also steepened in Europe, although to a much more modest extent. Unlike the US, consensus real GDP forecasts for the euro region in 2021 have moderately eased so far this year to 4.2%. Furthermore, the pace of vaccination roll-outs, and thus the path to re-opening, remains frustratingly slow across most of Europe, while Covid infection rates increased in a number of countries in February. By the beginning of March, the EU had vaccinated just 8% of its population, about a third of the percentage vaccinated in the US (24%) and a quarter that of the UK (32%). Fortunately, the clinical data from Israel and the UK on the efficacy and safety of vaccines, and their impact in reducing transmission rates amongst the vaccinated, are highly encouraging.

While European equities continued to advance, there was widespread dispersion at a sector level which mirrored developments in bond markets. As has been the case for some time now, the internal movements of the market were very rotational, with value stocks out-performing growth by about 4%. Cyclical sectors were particularly strong, led by financials (+11.1%), energy (+10.4%), consumer discretionary (+5.3%) and materials (+5.0%). On the other side of the ledger, bond proxies and defensive sectors proved anything but, with utilities (-5.8%), consumer staples (-3.9%) and health care (-3.1%) all weaker.

Strategy highlights

The Fund gained by [+1.4%] in euros in February.

Leading long contributors during the month included a number of holdings that reported better than expected results. These came from a broad cross section of sectors and included digital banks Fineco (+17bps) and Sbanken (+17bps), the pharmaceutical group Rovi (+15bps), the building products distributor Grafton (+16bps), the swimming pool products manufacturer and distributor Fluidra (+13bps) and the active lifestyle brand Thule (+19bps). The media group Vivendi (+28bps) also performed well after announcing that it would spin off 60% of Universal Media Group to shareholders later in the year, an event that should see its substantial conglomerate discount narrow.

The earnings season was not a positive catalyst for all, however. Pharmaceutical companies generally reported a weak end to the year as Covid disrupted procedures and the administration of many drugs by hospitals. For Roche (-6bps), pharma weakness was compounded by ongoing erosion from biosimilars, but compensated by strong growth in its diagnostics division, which we believe will prove more durable than the market gives it credit for. Other detractors included Games Workshop (-13bps), which under-performed in common with many perceived Covid "winners", and Vestas Wind Systems (-4bps), in which we had materially reduced our exposure in recent months and which reported disappointing margins. The renewable energy sector and other ESG "darlings" saw widespread selling during the month.

The Fund took advantage of the retreat in perceived Covid beneficiaries to initiate a position in BHG, the leading online DIY and home furnishing retailer in the Nordics. The company is a pure online player in the Nordic home market, a category which is still early in its shift to online; pre-Covid-19 online penetration was 8% in Nordics, compared to 13% in apparel and 19% in consumer electronics. The change in behaviour induced by the pandemic will likely have some lasting benefits for BHG, not least the increased level of comfort and experience in purchasing this category online will likely accelerate the channel shift. BHG's 30% market share online puts it in prime position to benefit from this structural growth and do so at attractive levels of profitability and cash generation given its benefits of scale.

Short contributors in the month included our position in a renewable energy company (+32bps), which reported a weak end to the year and was also impacted by a broader sell-off across the renewables sector. Our short position in a battery maker (+31bps) also contributed, as the company updated the market but failed to reassure in relation to both prices and volumes. We continue to believe that the company will face challenges on both fronts, particularly given the increasingly competitive environment in which they operate. Our short position in a healthcare facility provider (+16bps) was also a contributor in February after it reported an organic sales figure that disappointed bulls and made cautious comments regarding H1 2021.

Short detractors in February included three Covid beneficiaries. Our short positions in a pet food company (-15bps), fast fashion retailer (-14bps) and sports equipment producer (-9bps) all detracted in February, as Covid infection rates continued to increase in many European countries, thereby stifling the "reopening trade."

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Further information:

Please refer to www.daltonsp.com for the investor pack, prospectus, financial statements and Key Investor Information Documents

Investment commentary

Past performance is not necessarily indicative of future results and you may not retrieve your original investment. Investing in the Melchior Selected Trust places our capital at risk. The Sub-Fund is suitable for professional investors who consider an investment fund as a convenient way of participating in capital market developments. This Sub-Fund is not actively marketed to UK retail investors.

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