Melchior Selected Trust

Annual Report and Audited Financial Statements
for the financial year ended 31 December 2022

POLAR CAPITAL

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Directors and Administration

THE FUND

Registered Office:

From 1 June 2022
4, rue Peternelchen
L-2370 Howald
Grand Duchy of Luxembourg

Until 31 May 2022
4, rue Robert Stumper
L-2557 Luxembourg
Grand Duchy of Luxembourg

Chairman of the Board of Directors of the Fund:

Mr. Yves Kuhn
Independent External Director

Members of the Board of Directors:

Mr. Geoffroy Linard de Guertechin
Independent External Director

Mr. Richard Jones
Partner
Polar Capital LLP

Mr. Nicholas Farren
Chief Operating Officer
Polar Capital LLP

Auditors of the Fund:

Ernst & Young S.A.
35E, Avenue J.F. Kennedy
L-1855 Luxembourg
Grand Duchy of Luxembourg

Investment Manager:

Polar Capital LLP
16 Palace Street
London SW1E 5JD
United Kingdom

The Management Company:

From 1 June 2022
ONE fund management S.A.
4, rue Peternelchen
L-2370 Howald
Grand Duchy of Luxembourg

Until 31 May 2022
Edmond de Rothschild Asset Management (Luxembourg)
20, Boulevard Emmanuel Servais,
L-2557 Luxembourg
Grand Duchy of Luxembourg

Depositary:

From 1 June 2022
Northern Trust Global Services SE
10, rue du Château d'Eau
L-3364 Leudelange
Grand Duchy of Luxembourg

Until 31 May 2022
Edmond de Rothschild (Europe)
4, rue Robert Stumper
L-2557 Luxembourg
Grand Duchy of Luxembourg

Global Distributor:

Polar Capital LLP
London SW1E 5JD
United Kingdom

Domiciliation Agent:

From 1 June 2022
ONE fund management S.A
4, rue Peternelchen
L-2370 Howald
Grand Duchy of Luxembourg

Until 31 May 2022
Edmond de Rothschild (Europe)
4, rue Robert Stumper
L-2557 Luxembourg
Grand Duchy of Luxembourg

Directors and Administration continued

Administrative, Paying, Registrar and Transfer Agent:

From 1 June 2022

Northern Trust Global Services SE
10, rue du Château d'Eau
L-3364 Leudelange
Grand Duchy of Luxembourg

Until 31 May 2022

Edmond de Rothschild Asset Management (Luxembourg)
4, rue Robert Stumper
L-2557 Luxembourg
Grand Duchy of Luxembourg

Legal Advisor:

Arendt & Medernach S.A.
41A, Avenue J.F. Kennedy
L-2082 Luxembourg
Grand Duchy of Luxembourg

European Facilities Agent:

Zeidler Legal Process Outsourcing Ltd.
SouthPoint
Herbert House
Harmony Row
Grand Canal Dock
Dublin 2
Ireland

Swiss Representative and Paying Agent:

Edmond de Rothschild (Suisse) S.A.
18, Rue de Hesse
CH-1204 Genève
Switzerland

Spanish Paying Agent:

Allfunds Bank, S.A.
Estafeta 6, La Moraleja
Alcobendas
28109 Madrid
Spain

United Kingdom Facilities Agent:

Polar Capital LLP
16 Palace Street
London SW1E 5JD
United Kingdom

General Information

Information to the Shareholders

Annual reports and semi-annual reports are at the disposal of the shareholders with the administrative agent.

These periodical reports contain financial information regarding Melchior Selected Trust, the composition and evolution of its assets and its combined situation.

The shares of the Sub-Funds are presently not listed on the Luxembourg Stock Exchange.

The Key Investor Information (the "KID") are available on the website www.polarcapital.co.uk.

The full name of each Sub-Fund is constituted by the name of the Company, Melchior Selected Trust, followed by a hyphen and then the specific name of the Sub-Fund.

Throughout the Financial Statements are referred to by their short names as indicated here:

- Melchior European Opportunities Fund
- Melchior European Absolute Return Fund
- Melchior Global Equity Fund (in liquidation since 12 December 2022)

Net Asset Value per Share

The Net Asset Value ("NAV") per Share of each class in respect of each Sub-Fund shall be determined in the Reference Currency of that class or Sub-Fund on every Business Day ("Valuation Day"). "Business Day" means a day on which banks and other financial institutions are open for business in Luxembourg City and in the United Kingdom.

The NAV of the shares of each Sub-Fund or Class is calculated by dividing the net assets of each Sub-Fund or Class by the total number of shares of the Sub-Fund or Class in issue at that time. The net assets of the Sub-Fund or Class correspond to the difference between the total assets and total liabilities attributable to such Sub-Fund or Class.

Where applicable, the Fund may, on the last day of the fiscal year, calculate two NAVs for the Sub-Funds concerned, one based on the principle of a portfolio valuation at the latest prices available at the time of calculating the price to be used for subscriptions, redemptions and conversions processed on that date and the other based on the principle of a portfolio valuation using the closing prices at year-end intended for publication in the audited annual report.

General Information continued

Remuneration Policy (unaudited)

In accordance with the ESMA Questions & Answers, the disclosure requirements also apply to delegates, hence Polar Capital LLP.

Remuneration of the Management Company

All staff and officers are subject to the remuneration policy of the Management Company (the "Remuneration Policy"), including identified staff, i.e.

- any member of the senior management of the Management Company; and;
- any employee receiving total remuneration that takes them into the same remuneration as senior management, whose professional activities have a material impact on the Management Company risk profile.

The Remuneration Policy is the group (the "Group") remuneration Policy and its implementation is overseen by the Group remuneration committee, under the ultimate responsibility of the board of managers of ONE group solutions S.à r.l.

The Remuneration Policy has been defined in accordance with:

- the CSSF Circular 18/698 on authorisation and organisation of Luxembourg fund managers; and
- ESMA Guidelines on sound remuneration policies under the UCITS Directive.

The Remuneration Policy:

- is consistent with, and promote sound and effective risk management, including with respect to sustainability risks; and
- is in line with the business strategy, objectives, values and long-term interests of the Management Company and the funds it managed or its investors, and include measures to avoid conflicts of interest.

Further information are available at https://www.one-gs.com/legal.

Variable remuneration:

Individual variable remuneration, if any, is determined using a combination of the Management Company's performance, team/group performance, individual contributions, and market levels for comparable roles. In determining the total remuneration of its staff, the Management Company considers the various components of such remuneration (being base salary, discretionary bonus allocation and benefits). In addition, the Management Company's performance appraisal process is based on an assessment of the contribution of each individual to the Management Company. All employees and officers are also assessed as to their adherence to the Management Company's culture which prioritises ethical conduct, adherence to legal and statutory guidelines, teamwork and collegiality, quality and accuracy, sound judgment and respect for individuals, clients and external parties.

Remuneration disclosures – Management Company staff:

Total fixed remuneration paid to Management Company staff for the financial year	1,707,528 EUR
Total variable remuneration paid to Management Company staff for the financial year	- EUR
Number of beneficiaries	23

Remuneration disclosures – Management Company identified staff (*):

Total fixed remuneration attributable to Melchior Selected Trust SICAV** paid to Management Company identified staff for the financial year	26,286 EUR
Total variable remuneration attributable to Melchior Selected Trust SICAV** paid to Management Company identified staff for the financial year	- EUR
Number of beneficiaries	5

* Senior management and risk takers involved in the management of the SICAV.

** Please note that this amount has been calculated pro rata to the time allocated by the Management Company for the SICAV.

Portfolio Manager Remuneration

The Management Company delegated the portfolio management of the SICAV to Polar Capital LLC ("Polar"). The following information has been provided by Polar.

Total fixed remuneration attributable to Melchior Selected Trust SICAV* paid to Polar identified staff**	3.7m EUR
Total variable remuneration attributable to Melchior Selected Trust SICAV* paid to the Polar identified staff**	6.9m EUR
Number of beneficiaries	14

* The remuneration attributable to the SICAV is pro rata to the portion represented by its assets in Melchior Selected Trust SICAV portfolio of assets under management for the period from 1 April 2021 to 31 March 2022.

** Senior management and risk takers involved in the management of the SICAV for the period from 1 April 2021 to 31 March 2022.

Risk Management

The method used for the determination of the global exposure is the commitment approach for all Sub-Funds except for Melchior European Absolute Return Fund, which the absolute VaR approach is applied.

The Sub-Fund's VaR (Confidence interval (one-tailed) 99%. VaR Horizon / holding period 1 month (20 business days) may not exceed 20% of the Sub-Fund's NAV as defined by the law and in the prospectus. The calculation method for the leverage is the sum of the notional of all the derivatives, including the derivatives used for hedging purposes.

The prospectus dated June 2022 disclosed new levels of expected leverage that are the following:

- Melchior European Absolute Return Fund
  - Sum of the notional: 300% of the NAV of the Sub-Fund

However, under certain circumstances the level of leverage might exceed the aforementioned level.

Use of leverage (Sum of the notional) in % TNA from 1 January 2022 to 31 December 2022

Leverage (sum of the notional)*

Sub-Fund	Average	Minimum	Maximum
Melchior European Absolute Return Fund	184.53%	127.38%	454.97%

* Please note that the computations have been performed by EDR (former Management Company) until 31 May 2022, and by ONE fund management S.A. (new Management Company) from 1 June 2022. FX Forwards for share class hedging have been taken into consideration in the leverage calculation by EDR, while excluded by ONE fund management S.A. The value reflects an overrun classified as a technical breach, without any financial nor material impact.

Absolute Value-at-Risk from 31 December 2021 to 31 December 2022

Absolute VaR*

Sub-Fund	Average	Minimum	Maximum
Melchior European Absolute Return Fund	4.70%	2.29%	9.32%

Model and inputs for the VaR approach:
Historical Value at Risk
Confidence interval (one-tailed) 99%
VaR Horizon / holding period 1 month (20 business days)
Data history / effective observation period 2 years until 31 May 2022
Data history / effective observation period 1 year from 1 June 2022 until 30 December 2022

* Please note that the computations have been performed by EDR (former Management Company) until 31 May 2022, and by ONE fund management S.A. (new Management Company) from 1 June 2022. FX Forwards for share class hedging have been taken into consideration in the leverage calculation by EDR, while excluded by ONE fund management S.A. The value reflects an overrun classified as a technical breach, without any financial nor material impact.

General Information continued

Additional information

SFTR (Securities Financing Transactions and of Reuse Regulation)

The Regulation on Transparency of Securities Financing Transactions and of Reuse (the "SFTR") entered into force on 12 January 2016 aiming to improve transparency in securities and commodities lending, repurchase transactions, margin loans and certain collateral arrangements.

The disclosure requirements of the SFTR include the following details on Contracts for Difference:

Contracts for difference	Melchior European Absolute Return Fund
Assets used	**In EUR**
In absolute terms	193,212.50
As a % of total net asset value	2.39
Transactions classified according to residual maturities	**In EUR**
Less than 1 day	–
From 1 day to 1 week	–
From 1 week to 1 month	–
From 1 month to 3 months	–
From 3 months to 1 year	–
Above 1 year	–
Open maturity	193,212.50
The 10 largest counterparties	**In EUR**
First name	UBS AG, London Branch
Gross volumes for open trades	(76,364.44)
First country of domicile	United Kingdom
Second name	Goldman Sachs
Gross volumes for open trades	43,029.82
Second country of domicile	United Kingdom
Third name	
Gross volumes for open trades	
Third country of domicile	
Collateral received	**In EUR**
Type:	
Cash	–
Quality	–
Currency:	–
EUR	–
USD	–
Classification according to residual maturities:	–
Less than 1 day	–
From 1 day to 1 week	–
From 1 week to 1 month	–
From 1 month to 3 months	–

Additional information continued

Contracts for difference	Melchior European Absolute Return Fund
From 3 months to 1 year	–
Above 1 year	–
Open maturity	–

Revenue and expenditure components	In EUR
Revenue component of the fund:	
In absolute amount	268,601.85
In % of gross revenue	100%
Expenditure component of the fund	
Revenue component of the Management Company	
In absolute amount	–
In % of gross revenue	–
Revenue component of third parties	
In absolute amount	–
In % of gross revenue	–

There is no reuse of collateral cash related to CFDs transactions. All trades open at the end of the year have been transacted through bilateral settlement.

Information to Shareholders in Switzerland (unaudited)

Edmond de Rothschild (Suisse) S.A., domiciled at 18, rue de Hesse, 1204 Geneva, Switzerland, duly authorised by the Swiss Financial Market Supervisory Authority (FINMA) as Swiss representative, acts as the Fund's representative and paying agent for the shares offered in Switzerland. The prospectus, the key investor information, the Articles of Association, the annual and semi-annual reports of the Fund, as well as the list of the purchases and sales which the Fund has undertaken during the financial year, may be obtained, on simple request and free of charge from the Swiss representative.

The Total Expense Ratio (TER) as at 31 December 2022 for each Sub-Fund are calculated in accordance with the recommendations of Asset Management Association Switzerland (AMAS), approved by the Swiss Financial Market Supervisory Authority.

TER (Total Expense Ratio)

The Total Expense Ratio (TER) represents the ratio of the total expenses, except transactions fees, annually supported by the Fund for each Sub-Fund.

The TER should be calculated as follows:
TER = Total charges of the Sub-Fund/Average NAV of the Sub-Fund.
Average NAV of the Sub-Fund = Amount of NAVs over the year / number of valuation days.
Each Sub-Fund's TER (in %) is detailed in this Annual report in the "TER (Total Expense Ratio)" section.
The calculation of the TER is based on the period from 1 January 2022 to 31 December 2022. Where share classes are opened part way through the period, the figures are annualised in such cases.

General Information continued

Information to Shareholders in Switzerland (unaudited) continued

Performance of Melchior European Opportunities Fund:

Class of shares	Date of Launch	NAV as at 31/12/ 2020	Performances * 2020	NAV as at 31/12/2021	2021	NAV as at 31/12/2022	2022
Class B EUR Accumulation Shares	27/05/2015	128.74	-0.02%	166.34	29.21%	132.27	-20.48%
Class CS EUR Accumulation Shares	30/04/2020	121.26	–	157.93	30.24%	126.61	-19.83%
Class I EUR Accumulation Shares	04/05/2010	300.01	0.78%	390.76	30.25%	313.22	-19.84%
Class I EUR Distribution Shares	31/10/2022	–	–	–	–	103.61	–
Class I GBP Accumulation Shares	04/05/2010	312.87	6.47%	382.23	22.17%	323.77	-15.29%
Class I USD Accumulation Shares	04/05/2010	280.40	9.85%	339.43	21.05%	255.35	-24.77%
Class P EUR Accumulation Shares	23/12/2015	136.77	0.82%	178.22	30.31%	142.91	-19.81%
Class P EUR Distribution Shares	31/10/2022	–	–	–	–	103.61	–
Class X EUR Accumulation Shares	30/06/2012	282.82	1.67%	371.52	31.36%	300.34	-19.16%
Class X GBP Accumulation Shares	30/06/2012	312.94	7.37%	385.59	23.21%	329.38	-14.58%

* Performances are historical and are not necessarily an indication of future results, they do not include redemption or subscription commissions and fees.

Performance of Melchior European Absolute Return Fund:

Class of shares	Date of Launch	NAV as at 31/12/ 2020	Performances * 2020	NAV as at 31/12/2021	2021	NAV as at 31/12/2022	2022
Class C GBP Hedged Accumulation Shares	26/02/2010	109.25	-3.92%	110.88	1.49%	110.91	0.03%
Class H GBP Hedged Accumulation Shares	10/02/2011	1.05	-3.67%	1.06	1.74%	1.07	0.94%
Class I EUR Accumulation Shares	02/02/2010	108.19	-4.01%	109.71	1.40%	108.80	-0.83%
Class I GBP Hedged Accumulation Shares	02/02/2010	113.18	-3.43%	115.42	1.98%	116.02	0.52%
Class I JPY Hedged Accumulation Shares	24/04/2012	9,612.86	-3.84%	9,776.26	1.70%	9,670.20	-1.08%
Class L EUR Accumulation Shares	10/01/2020	95.52	–	97.30	1.87%	97.00	-0.31%

* Performances are historical and are not necessarily an indication of future results, they do not include redemption or subscription commissions and fees.

Report on the Activities of the Fund

31 December 2022

Melchior European Opportunities Fund

Fund performance

The Fund returned -19.84% in 2022 (Class I EUR Accumulation Shares) compared to a total return of -9.49% by the MSCI Europe Net Total Return Index (in euro terms). It was a challenging year for the Fund in both absolute and relative terms, albeit one which saw a significant divergence between the portfolio returns and the solid operational performance of the majority of our investments.

In this review a year ago, we observed that while the outlook for corporate profits in Europe in 2022 was supportive, the rising tide of monetary stimulus was starting to go out. We saw this as an environment to tread carefully, rather than a riptide. While our assessment of corporate profitability in 2022 is likely to have proved correct (see below), we clearly underestimated the monetary shift that followed. This was indeed more like a riptide as the significant increase in interest rates across the globe precipitated a substantial derating of equity markets around the world.

Although at the time of writing we await full year results, we expect our companies in aggregate to report good earnings growth for the year, at least in line with our expectations at the beginning of 2022. In the first half of 2022, our holdings on an equal-weighted basis reported earnings per share growth of 30%, slightly ahead of the 26% growth recorded by the MSCI Europe. Both metrics were flattered by the exceptional growth in earnings by the energy sector, which benefited from the spike in energy prices that followed Russia's invasion of Ukraine and ongoing attempts to manipulate European gas markets. Excluding energy, our earnings per share grew by 16% in the first half, outpacing the 6% growth on the same basis by the MSCI Europe.

Earnings growth across the portfolio was more than offset by significant multiple compression in an environment of rising interest rates. This trend was visible across the market, but was especially pronounced in the small and mid-cap universe. European small and mid-caps sustained their worst period of underperformance since the global financial crisis (GFC), underperforming the MSCI Europe by almost 10% and 13% respectively in 2022. A number of our small and mid-cap holdings derated over the course of the year by 40-60%, despite delivering solid operational performance and earnings growth. This has left some of these companies trading at record discounts to long run average P/E multiples. With a little over half our assets invested in European small and mid-caps, a level consistent with the average since inception in May 2010, this was a material headwind for the relative returns of the Fund and accounted for the majority, approximately six percentage points, of underperformance in the year.

Two other factors weighed on the relative performance of the portfolio during the year. In a very narrow equity market, energy was the only sector to deliver positive returns (MSCI Europe Energy Total Return 37%) and our underweight exposure to the sector was a drag on performance of c190bps.

On top of this was the material underperformance of companies that were seen as Covid winners. These included not only companies involved in the production of Covid vaccines, for instance the Spanish pharmaceutical group Laboratorios Farmaceuticos Rovi, which among other things manufactures the Moderna vaccine in Europe, but also companies that benefited from strong consumer demand during the pandemic. The swimming pool products group Fluidra and the outdoor products brand Thule Group were both impacted by larger than expected destocking as the supply chain and order patterns normalised. These three holdings alone accounted for over -300bps of relative performance in 2022, reversing almost to the basis point their cumulative outperformance in 2021. A similar dynamic also impacted companies that were widely perceived to be beneficiaries of the pandemic, even if their exposure was in practice limited. This weighed on the life sciences group Merck and the pharmaceutical CDMO group Lonza, even though in each case Covid products accounted for less than 5% of group revenue. This factor was the principal reason for the underperformance of our healthcare holdings in 2022.

This was consistent with a recurring theme of 2022 that the winners of 2021 were among the biggest losers of 2022: six of our top-10 contributors in 2021 were among our biggest detractors of 2022. In most cases, this was indiscriminate despite continued robust operational performance. Quality companies like JD Sports Fashion, Howden Joinery Group and Watches of Switzerland Group upgraded their profit forecasts yet found themselves among the Fund's worst performers.

The largest positive contributions came from the Norwegian defence and marine group Kongsberg Gruppen, which is likely to deliver another year of strong earnings growth, with excellent performance across all three its defence, marine and digital businesses. Their ability to manage an inflationary cost environment and challenging supply chains is notable in the context of its peer group. The prospects for orders continue to look healthy going forward driven by heightened geopolitical concerns and energy efficiency initiatives, which will continue to drive the company's double-digit growth path.

Other notable contributors included the Dutch insurer a.s.r., which delivered strong, better-than-expected results throughout the year. As one of the few insurers where both capital generation and stock of capital benefit from higher interest rates, we had anticipated potential for stronger shareholder returns as well as higher M&A firepower for value-accretive in-market consolidation in the Netherlands. This materialised in October, when a.s.r. announced a €4.9bn acquisition of Aegon Netherlands, which will materially strengthen its position in the Dutch market and should deliver sizeable synergies and mid-teens return on investment. We see this deal as attractive both strategically and financially, while the CEO's decision to extend his term in order to lead the integration is strongly supportive given his track record on past integrations.

Report on the Activities of the Fund continued

31 December 2022

Melchior European Opportunities Fund (continued)

Fund performance (continued)

Spanish bank Bankinter was also a significant contributor, delivering a total return of 46% in 2022. The Fund added to its investment at the start of the year, when the stock was trading below book value and consensus forecasts remained significantly below the company's

2023 target, an attractive option on exposure to interest rate rises at a time when few were expected. As inflation proved more persistent and higher than expected, the ensuing sharp increases in the ECB policy rate drove material earnings upgrades, with the bank now expected to meet its 2023 target by the end of 2022. The inflection in rates was also extremely positive for the Italian investment platform Banca Fineco, with €30bn of sticky deposits and limited credit risk. Furthermore, the ability of the platform to attract inflows of over €10bn despite negative returns across most asset classes attests to the strength of the franchise.

The Fund also benefited from bids for two of our companies over the year. The leading e-bike manufacturer Accell Group, in which we invested towards the end of 2021, received a cash offer from a consortium led by private equity firm KKR & Co. Although we had reservations about the offer at a 26% premium, it became relatively more attractive in the context of the significant derating of the biking and leisure sector since the bid was announced. Furthermore, the triangular merger structure made it fiscally punitive to continue to hold the stock in the event of a squeeze-out. Meanwhile, the bid for the Norwegian digital bank Sbanken by the market leader DNB finally received regulatory approval and was completed in April.

Market review

2022 was not a year many investors will look back on fondly; according to Renaissance Macro Research, it was the worst year for combined equity and fixed income returns since the Great Depression in 1931. The backdrop to this was the acceleration in inflation, reaching double-digit levels in Europe and across many parts of the world, which precipitated much faster than expected interest rate rises as central banks struggled to restore their credibility and control of inflation.

The speed and scale of this adjustment upended financial markets in 2022 though it was not only markets that were surprised. It is worth recalling the Fed's own projections at the beginning of the year to see how far behind the curve they were. At the time, the Fed forecast three rate increases and a Federal funds rate of 1% by the end of the year. By the end of the year, the Fed had raised rates to 4.5% and was projecting a terminal rate above 5%. Even the ECB ended 2022 with a deposit rate of 2%, having abandoned eight years of negative rates in July.

This had dramatic implications for the cost of capital. US 10-year Treasury yields started the year yielding 1.5%, but ended it at nearly 3.9%. This was arguably even more dramatic in Europe. At the turn of the year, the German government was being paid 19bps per year to borrow for 10 years. By the end of the year, it was paying 2.5% for the same duration, the highest rate since the euro crisis of 2011. One consequence of this repricing of fixed income was the near disappearance of negative-yielding global debt. The stock of bonds with a negative yield, worth over $11trn at the beginning of 2022 and $18trn at its peak two years ago, was down to just $24bn by the end of the year. Furthermore, as short-term rates jumped, the yield curve on many government bonds inverted in the second half of the year as fixed income markets started to price in rate cuts in 2023-24, contrary to central bank commentary.

The ructions in the bond market were magnified by geopolitical tremors, following the unprovoked invasion of Ukraine in February, the worst act of aggression on the continent since 1945. By launching the invasion of a sovereign neighbour, Vladimir Putin crossed the Rubicon, not only militarily but also in terms of Russia's relations with the free world. On top of the human tragedy, the war had a profound impact on the global economy, in the short-term precipitating a supply shock in a number of agricultural, energy and metal commodities. Even though the prices of many commodities normalised towards the end of the year, higher energy and food prices exacerbated and prolonged global inflationary pressure.

Europe was especially vulnerable in this respect, with Russian gas accounting for nearly 40% of its gas supply and c10% of gross available energy on the continent. Putin was determined to exploit this vulnerability by progressively cutting off gas supplies to Europe, precipitating a massive spike in energy costs that at one point over the summer saw German one-year forward power prices rise to nearly €1,000/MWh, compared to its long run average of around €50/MWh.

The energy crisis provoked considerable uncertainty across Europe and raised the spectre of energy rationing over the 2022-23 winter with widespread industrial shutdowns and a deep recession. This in turn put further pressure on the euro, which fell below parity with the US dollar during the third quarter. In the end though, market forces did their job: the exorbitant cost of attracting liquefied natural gas (LNG) supplies ensured the market remained well supplied and gas in storage built up for the winter. In this regard, luck also played an important role, as a mild autumn and winter contributed to much lower heating demand, which in turn led to a sharp fall in wholesale gas prices towards the end of the year.

Although a total return of -9.5% by the MSCI Europe Net Total Return Index (in euro terms) suggested a challenging year for European equities, it masked the scale of the disruption below the surface. The benchmark returns were supported by the resilience of value stocks, which produced a negative total return of just -1.1% in 2022, underpinned to a significant extent by the oil and gas sector which produced a total return of 36%. It was a case of value first, the rest nowhere. Growth stocks underperformed value by 16.5% and quality stocks by over 13%.

However, even within European value, the market was extremely narrow, with positive returns concentrated in a handful of large and indeed mega-cap companies. In contrast, mid-cap value fell almost 12% y/y and small-cap value almost 15%. As with the rest of the market, and almost irrespective of the operating performance of the companies, the further down the market-cap spectrum you went, the worse the returns were. As we have seen, European small and mid-caps underperformed the MSCI Europe by a double-digit percentage, nearly reaching the cumulative underperformance of this universe during the GFC.

Fund activity

We commented above on the significant divergence over the course of the year between falling share prices and the sound operational and earnings performance of most of our companies in 2022. In general, the decline in share prices was driven by a higher cost of capital and derating in equity multiples, rather than by operational issues or lower than expected earnings. Indeed, in aggregate, we expect our companies to deliver good earnings growth in 2022, at least in line with our overall expectations at the start of the year.

As always, there were some individual disappointments. In April, we made a timely divestment of the reinsurer SCOR, where expectations for a recovery in profitability have been repeatedly delayed by a succession of unconnected losses. Less than month after assuring us that its exposure to Russia was manageable, the company slipped out a profit warning on Good Friday, a decision that did little to enhance the credibility of the new management team. We also sold our holding in the Swiss sealings business Datwyler Holding after the company issued a surprise profit warning. Its healthcare business proved to have less pricing power than we expected and the management less proactive than its main US competitor in passing on higher raw material costs. We also divested the Nordic pet products retailer Musti Group. Although Musti Group has exceeded our revenue expectations since it came to the market, we have become increasingly disappointed by the lack of cost control and operating leverage despite consistent double-digit revenue growth. The prospect of growth moderating as new openings slow and the pandemic pet boom fades calls into question the sustainability of margins.

The Fund invests with a medium to long-term horizon, with an average holding period of over four years. We seek to invest in durable, well-managed businesses with competitive advantages or differentiation that enable them to be resilient in down cycles and emerge stronger in the next upturn. It is not our practice to rotate the portfolio aggressively or to try to trade styles and factors. Nevertheless, flexibility is core to our investment discipline and a critical element of this is recognising when the facts are changing. During the spring, we sold our holding in the German real estate company Vonovia after reassessing its leverage and balance sheet in an environment with a higher cost of capital. We also sold our investments in the zinc recycling group Befesa and the textiles cleaning business Johnson Service Group following a reassessment of the ability of both companies to pass on much higher energy costs, in relative terms among the highest in the portfolio. In Befesa's case, this was compounded by weakness in the unhedged element of its zinc exposure and the prospect of lower steel dust recycling volumes.

The significant derating of most of our companies in 2022, especially acute among our small and mid-cap holdings, effectively raised the threshold for new investments given the alternative of deploying capital in exciting investments at attractive prices. Nevertheless, the investment team continued to find good new opportunities. Over the course of the year, we made investments in 12 new companies in 2022.

An encouraging aspect of a difficult year was the strong relative and absolute performance of these new investments. Indeed, 10 of our 12 new holdings made positive absolute returns in a declining market. This did not include our investment in the e-bike manufacturer Accell Group in December 2021, which subsequently received a takeover offer, as described above. There was no single or over-riding theme or sector allocation among the acquired companies, however a common characteristic of the majority was market leadership and high-quality returns. Our assessment is that the market dislocation in 2022 provided compelling entry points on any medium-term horizon. In particular, the often indiscriminate selling of small and mid-caps created significant mispricing and this universe accounted for the majority, though not all, of our new holdings.

An example of this was our investment in the champagne house Laurent-Perrier, owner of the Laurent Perrier, Salon and Delamotte brands. While we are mindful that champagne is a discretionary and therefore cyclical purchase, we believe the sector is well positioned to ride out any downturn given industry stocks are low after depleted harvests in 2020 and 2021, with many high-end brands already on allocation and prices for fine champagne in the secondary market having risen by over 70% in the past two years, well above recent vintage release prices.

On a multiple of about 10x current year earnings at the time of acquisition, well below its 10-year average of 17x, Laurent Perrier's share price does not reflect either the strong improvement in industry fundamentals or the positive evolution of the group's business mix in recent years, with the growing share of high-end cuvées and exports translating into steadily rising gross margins. This was visible again in the company's impressive latest set of results which saw further margin expansion despite ongoing cost inflation. Indeed, the group's holdings of over €650m of champagne stocks on its balance sheet at historical cost provide an underappreciated inflation hedge. At only slightly above its net book value, Laurent-Perrier's current market valuation does not factor in any benefit from the significant increase in champagne and vineyard prices, or indeed any value creation from its brands. For a business with world class brands in Salon and Laurent Perrier generating operating margins of over 25%, the stock is clearly mispriced and a further example of the value currently on offer in the unloved European small cap universe.

Report on the Activities of the Fund continued

31 December 2022

Melchior European Opportunities Fund (continued)

Fund activity (continued)

At the other end of the market-cap spectrum, the market sell-off in the aftermath of the Russian invasion of Ukraine presented the opportunity to buy a position in the industrial gas company Linde which had been on our watchlist for some time. Linde is the number one industrial gas company worldwide with 30% market share in a market that has become increasingly consolidated over the past decade. The company has a defensive growth profile and

strong pricing power that supports double-digit earnings growth. Going forward there are new growth opportunities such as in semiconductors where the significant capex announcements will require high purity industrial gases. Linde also has a key role to play in the energy transition, enabling its customers to reduce their own emissions. It estimates its operations have helped customers avoid more than twice the level of its own CO2 emissions. The company's expertise and assets in the hydrogen chain leave it well placed to benefit from the increasingly prioritised hydrogen market.

Other market leaders in which we invested were Edenred, the global leader of specific-purpose payment solutions for food, mobility, incentives and corporate payments; Viscofan, the global leader in artificial casings for the food industry; and the Austrian oil services group Schoeller-Bleckmann Oilfield Equipment (SBO). We like Edenred's unique, asset-light business model which provides for a combination of attractive growth which is high quality and defensive, sustained high margins and strong cash generation. Alongside market-leading positions, the company operates in still largely underpenetrated markets that offer significant growth opportunities, further supported by trends towards digitalisation and working from home. In addition, the company benefits from an inflationary environment, higher wage growth and rising interest rates as well as having low sensitivity to discretionary spending.

Artificial casings may not be the most glamorous industry, but it is an attractive market with both structural and defensive growth, driven by a growing population, eating habits and an ongoing shift from natural gut to artificial casings. Viscofan has a dominant position in the market, with competitive strengths in R&D, a global presence close to customers and a strong balance sheet with close to zero net debt, all of which should support continuing market share gains. The share price had been impacted by concerns around a near-term margin squeeze given its energy-intensive business model, which we saw as presenting an attractive entry point. We believe margins are set to inflect positively as the lagged impact of price increases comes through. Furthermore, the market has not given full credibility to its ambitious 8% CAGR sales growth target to 2025 which, if achieved, would not only lead to positive revisions but should shift perceptions on its growth profile. As a potential beneficiary of consumer down-trading, an environment of high inflation and pressure on real incomes could serve to accelerate this dynamic.

Over the summer, we took advantage of a correction in the energy sector to build a position in SBO, a global leader in its field. Its products enable directional drilling of oil and gas fields that increase the recovery rate and efficiency in both drilling and well completion. SBO reinforced its market position during the extended energy down cycle and is very well positioned to benefit from what is likely to be a sustained upturn in energy capital spending. It still looks attractively valued, with its share price still nearly 50% below its peak in 2018, even though we expect sales and profitability to be sustainably higher for the foreseeable future.

Another company operating in an attractive niche is the Swedish industrial seals company Trelleborg, which we acquired in April. The company produces seals that are critical to industrial performance and safety and have to withstand harsh environments. Trelleborg started a portfolio improvement programme in 2019 to divest businesses that were identified as non-core. The final and most important part of this refocus and transformation came with the announced disposal of its Wheel Systems (agricultural tyres) division in March. This business accounted for 30% of sales and 22% of group profit and while a global market leader, the volatility of its end market and differing drivers to the rest of the group gave it a disproportionate focus for both investors and management. The Wheel Systems business is being sold at a valuation of 17.5x 2021 EV/EBIT, which makes the implied multiple of 11.6x EV/EBIT for the higher quality sealing business all the more anomalous. The disposal will lead to an immediate uplift in Trelleborg's margin and returns. Furthermore, the sealings business should benefit over the medium term from more focused capital allocation and balance sheet strength to seize upon attractive growth opportunities. The divestment proceeds will be used for selective M&A opportunities, but also further shareholder returns to supplement the already attractive 7% yield. We believe that trading at a 30% discount to its peer group is a compelling opportunity for what is now a simpler and more focused business.

While Trelleborg was one of our more cyclical investments in 2022, albeit underpinned by a strong balance sheet and dividend yield, the Fund also made new investments in defensive companies. In addition to Linde and Viscofan discussed above, these included the diagnostics company Qiagen, in which the Fund invested in September. Although the sector was perceived as Covid winners and thus out of favour in 2022, the in-vitro diagnostics industry is attractive and one we believe will be at the core of the solution to an ageing population and increasing healthcare burdens. It has a supportive value proposition, with two-thirds of clinical-based decisions made using diagnostics but accounting for only 2% of total healthcare spending. After a period of significant industry consolidation, QIAGEN is one of the few remaining pure-play diagnostics companies in Europe and has attractive market exposure with 50% revenue from life sciences and 50% from molecular diagnostics, one of the fastest growing end markets. Consumables makes up 88% of revenue which supports a resilient revenue stream and an attractive margin and return profile. The company has undergone a number of changes in the past two years which we think are underappreciated by the market. Under the stewardship of a new CEO since 2020, the company has focused its portfolio, launched key products and significantly increased its installed base during the pandemic. This provides a platform to deliver above-market growth and, as the company continues to execute, we would expect it to be rewarded for this.

The Fund also made a new investment in Infrastrutture Wireless Italia (INWIT), the largest telecom tower operator in Italy. We see the current environment as an attractive entry point for a company with a defensive growth profile and long-term upside to targets, alongside support from M&A optionality. There are several structural drivers of organic growth at INWIT. First, a continuing inflationary environment is beneficial for a company with uncapped, inflation-linked escalators on both its anchor tenant contracts. In addition, ever-increasing data demand and 5G densification supported by the rollout of next-gen EU funds should drive the ongoing need for new sites as well as higher tenancy ratios. Longer-term upside risks include a potential relaxation of electromagnetic field limits in Italy, an Iliad resolution on proposed remedy sites, and a faster ramp-up in small cells. Finally, while the recent shareholder change (infrastructure fund Ardian doubling its stake, acquiring shares from Telecom Italia) has led to a better governance profile, this also arguably makes Inwit a more feasible potential acquisition target. As such, we see attractive value with the shares trading at a discount not only to both its EU and US tower peers despite a superior growth profile, but also to recent transactions by private equity and infrastructure funds in tower assets.

The Fund continues to see energy efficiency as an investment theme with strong structural tailwinds over the medium term. This opportunity was reinforced in 2022 by soaring energy costs and the need to reduce energy consumption in light of the war and Russian destabilisation of European energy markets. However, in 2022, these structural drivers were supplanted by near-term cyclical concerns around recession and our holdings in this area underperformed. One new holding that did not deliver positive returns in 2022 was STO SE & Co, the German building products group that is the global leader in external wall insulation systems (EWIS) and renders, with particularly strong market share in its core markets of Germany, France and the Benelux. STO is a beneficiary of structural growth in investment in energy efficiency, but on top of this should benefit from a recovery in EWIS in its largest market in Germany which is still more than 10% below its peak in 2012 following a period of lower energy prices and extended delays in agreeing subsidies which led to projects being delayed before certain investments in energy efficiency were made tax deductible in 2020. These headwinds are now reversing, with demand positively correlated with energy prices. On top of this, the pressing need in Germany and other markets to reduce dependence on Russian fossil fuels should further accelerate investment in energy efficiency in buildings. At an enterprise value of only 5.5x EBITDA and 8.5x EBIT, Sto's valuation does not reflect the structural growth or the improving outlook for the company.

Market outlook

Notwithstanding all the curveballs of 2022, our companies overall are on course to deliver a healthy growth in profits. Nobody should be under any illusion that 2023 will be a straightforward year; although headline inflation should ease in the year ahead, the combination of tighter monetary policy and ongoing pressure on real incomes will remain headwinds for the economic outlook. Even though raw material inflation should moderate, companies are likely to face higher wage inflation over the next 12 months. However, our companies are relatively well positioned with good pricing power and strong balance sheets.

A silver lining is that a slowdown is already widely expected and investor sentiment extremely low. A recession has been well telegraphed; consensus expectations already factor in a contraction in European GDP in 2023 and the ZEW survey for the expectation of economic growth in the eurozone recently touched the lows seen at the depths of the GFC and the euro crisis in 2011. A net 80% of investors in the latest Bank of America Merrill Lynch fund manager survey expect a recession in Europe in the next 12 months, a level close to a historic peak. European equities have derated to 12x earnings, the lowest level since the recession of 2013, and many small and mid-cap stocks have derated aggressively with cumulative underperformance approaching the level seen in the whole of the GFC.

The question, then, is how deep and prolonged the downturn will be. The fog of war should caution against certainty and bold predictions. Nevertheless, the tail risks of energy rationing and industrial shutdowns in Europe, and a subsequent hard landing, look to have been averted. Meanwhile, a deep and synchronised global slowdown looks less likely to us given the distortion of the pandemic on the business cycle, with some regions, sectors and supply chains still only just emerging from years of disruption. In particular, the end of the zero-Covid experiment in China after almost three years of self-imposed isolation should provide a positive impulse for global growth by the second quarter of 2023. Closer to home, the lagged deployment of EU recovery funds should provide some countercyclical ballast to Europe in 2023.

Report on the Activities of the Fund continued

31 December 2022

Melchior European Absolute Return Fund

Fund performance

2022 was a very challenging year for global markets and investors. We were disappointed with Fund performance of -0.83% (Class I EUR Accumulation Shares) given the positive return we generated over the first three quarters. This compared to a total return of -9.49% for the MSCI Europe Net Total Return Index (in euro terms).

Market review

2022 was dominated by macroeconomics, with the most important story being successive aggressive interest rate hikes by central banks globally in response to high inflation, that kept surpassing expectations for the majority of the year. It was a year of high volatility and dispersed returns across asset classes, with most major ones negative.

The year began very differently to 2021, which started with great hope in a stimulus-fuelled reflationary economic recovery post the initial COVID-19 crisis. That story broadly played out – to equity investors' delight – but left them entering 2022 with concerns that the after-effect of that stimulus, and the accompanying sharp rebound in demand, would be that inflation would turn out to be longer lasting than 'transitory', as consensus expected initially, and would far overshoot central banks' comfort zones.

As a result, the majority of the first two months was overshadowed by questions over the major central banks' credibility, with fears of a potential policy error and an inflationary crisis. The market's new year assumptions for three to four 25bp interest rate hikes by the Federal Reserve over 2022 were quickly torn apart, with concerns compounded by successive accelerating monthly CPI readings beginning to bear the conclusion of inevitably more aggressive monetary tightening to follow. Consequently, both equity markets and bonds sold off. Unsurprisingly, underperformers included growth as a style, pandemic winners (compounded by the abatement of the Omicron variant and the return of mobility and travel), high-multiple names and sectors such as technology and consumer discretionary.

What followed towards the end of February would shock markets even more. In conjunction with the human tragedy, Russia's full military invasion of Ukraine shattered geopolitical peace and world order. Such a major event was met with equally extreme market moves, with the main Russian MOEX equity index shedding more than 30% in local currency terms before trading was suspended within a few sessions of the invasion and the ruble devaluing by over 40% within two weeks.

There were several other notable sharp reactionary moves in the weeks and months that followed. With the rest of Europe, particularly further east, worried about national security, the structure of NATO and military budgets became urgent matters for review, boosting global defence stocks. With Ukraine's vast arable output suddenly under threat and its ports blocked, the prices of grains and other agricultural commodities spiked. As part of the global response was to impose sanctions on Russia, Europe's main supplier of natural gas, energy prices also soared, with oil prices rallying from the low $90s in February to above $120 in March and periods of Q2. Renewable and fossil-fuel alternative energy plays also outperformed as a result. The supply of certain metals and other basic resources, such as aluminium and nickel, was also effectively constrained overnight, prolonging the inflationary theme already seen in hard commodities. Furthermore, entire industries had to review their supply chains, not just for sourcing that heavily relied on Ukraine or Russian production but also for general levels of redundancy and offshoring to reassess vulnerability tolerances in such geopolitical scenarios.

Unsurprisingly, aside from selected winners and commodities, broader equities markets suffered further. The uncertainty and fear from a geopolitical crisis not matched for generations, was compounded by additional exacerbation to global supply-chain constraints and inflation, two topics that had already caused markets to derate. By the end of Q1, the MSCI Europe Net Total Return Index had returned -5.3%, the S&P 500 Total Return Index -4.6% and the NASDAQ Composite Total Return Index -8.9% (all year—to-date, local currency basis).

The equity sell-off continued into Q2, as did the war in Ukraine, as global inflation figures continued to accelerate. US CPI reached 9.1% in June (compared to 7% in December 2021) having met or surpassed expectations each month in the first half. Having just initiated its first 'normal' rate hike of 25bps in March, the US Federal Reserve was forced to embark on its most aggressive tightening cycle in history, with a 50bps May hike followed by raises in unprecedented increments of 75bps thereafter.

With this backdrop persisting, the second quarter continued to be negative for equities. Extortionate energy prices and higher interest rates became the major concern for both corporates (particularly those with leverage or energy intensive opex structures) and for consumers, some of who faced the prospect of household energy and mortgage bills potentially doubling or trebling in some markets. Additionally, after a relatively benign corporate earnings season in Q1, the second quarter brought a flurry of warnings from consumer discretionary companies, predominantly in the online fashion and homeware sectors as well as some other pandemic winners seeing a reversal of fortunes.

After an H1 decline of 13.8% for the MSCI Europe Net Total Return Index and 20.0% for the S&P 500 Total Return Index (local currency terms), July saw the third quarter begin more positively. The consumer discretionary earnings disappointments from selected names in the previous quarter did not manifest more broadly into the Q2 earnings season, with most sectors and many large bellwethers delivering reassuring performance on both the top and bottom line. Misses remained largely confined to companies exposed to the low-end consumer's discretionary spending. This appeared to have provided near-term reassurance despite the release of the US June CPI at a new high of 9.1%, another FOMC rate hike of 75bps to 2.5% (upper bound), the first hike from the ECB in a decade to 50bps, and the 10-year/2-year US Treasury yield spread turning negative (historically a reliable indicator of an impending recession).

However, this summer bounce was short-lived as US and European equities traded lower in both August and September. Despite the first release of monthly US inflation data that came in below estimates (the July CPI), albeit at 8.5%, Fed Chair Jerome Powell's annual Jackson Hole speech questioned investors' view that inflation had peaked and that the central bank would pivot its approach. Meanwhile, conflict in the Ukraine continued with no signs of near-term peace, European natural gas prices reached new highs and China's zero-Covid policy continued to cause supply chain and economic activity disruption in a number of populous regions.

At the end of the quarter came another unexpected major macroeconomic event, as new UK Prime Minister Liz Truss oversaw the release of a fresh fiscal mini-budget. The announcement of c£45bn planned tax cuts to be funded by debt, expanding the UK's deficit, was met with shock and horror by markets. UK gilts were sold, some of which was forced and added to the downwards volatility, leading the Bank of England to intervene in markets and buy government bonds at a time it was supposed to start deleveraging its balance sheet. This national crisis spilled over into broader global markets, with general investor confidence suffering and some forced selling by LDI pension funds in equities and other asset classes as a result of the gilt sell-off.

After an apparent cocktail of predominantly macroeconomic crises, the close of Q3 left global equities having experienced three consecutive quarters of negative returns for the first time since 2008. The MSCI Europe Net Total Return Index was down 17.4%, the S&P 500 Total Return Index down 23.9% and the NASDAQ Composite Total Return Index down 32.0% for the year by the end of September (local currency basis). US Federal Reserve risk-free rates had risen 300bps and ECB rates by 125bps from effectively zero at the beginning of the year, with Bank of England interest rates up 200bps to 2.25%. Mortgage rates had touched over 6% in the UK and 7% in the US, and their housing markets had begun to cool in terms of transactions, prices and new builds, as well as in other countries such as Australia, New Zealand and the Nordics. Though most commodities had cooled significantly from their highs, consumers were about to enter a winter period of excessive energy bills, while wholesale power prices in Germany, France and Italy had risen by between two and four times. Bonds were having their worst year in decades and cryptocurrency investors were also suffering as a result of the rate hikes, with Bitcoin more than halving versus the dollar since early May.

Q4, however, would prove to be a reversal for equity markets and a partial recovery. This began with the continued normalisation of commodity and energy prices, helped by warm weather and more conservative consumption. This, along with US inflation appearing to have peaked back in June – albeit still high at c 8% – buoyed investor hopes for a Fed pivot, at least in the form of lower incremental rate hikes.

Additionally, speculation grew of the Chinese government abandoning its zero-Covid approach in 2023, with isolation rules and other restrictions to be slashed, later confirmed in the following weeks and, in fact, initiated before the year-end.

Though the next FOMC move in October was a fourth consecutive 75bps rise, Powell's commentary was subtly but notably more dovish. This shift in rhetoric was emphatically compounded on 10 November, when the US October CPI release of 7.7% was 20bps softer than expectations. Therein began a sudden market focus on an end point in the tightening cycle and what the terminal rate may be. The market reaction to this data point was pronounced, with the S&P 500 Total Return and MSCI Europe Net Total Return indices rallying almost 9% and 5% respectively into the month-end.

Momentum continued into the end of the year despite a more hawkish stance from Powell at the December FOMC meeting, when the rate rise was indeed lowered to 50bps, with an upper bound Fed rate of 4.5% for the year-end. Though this was met with a pause in the rally, markets seemed satisfied with the end of triple hikes. As a result, financial conditions as a whole eased, with the US 10-year yield falling 37bps from its October highs to 3.87% at the end of the year.

From a corporate earnings standpoint, there were several Q3 disappointments but many were warnings before the end of September market lows in already beleaguered names and generally confined once again to certain markets, with otherwise broader resilience exhibited. To conclude, the MSCI Europe Net Total Return Index ended the year down 9.5%, with the S&P 500 Total Return Index down 18.1% (local currency terms).

Fund activity

Portfolio turnover during the year was higher than normal due to extreme volatility in markets. As usual, we shall touch on some but not all.

In the first quarter, we closed our long positions in Daetwyler Holding and Thule Group. Both businesses had been significant pandemic beneficiaries, the former due to vaccine-related revenues and the latter due to a cycling and domestic outfdoor pursuits boom. However, extraordinary share price rallies left valuations unattractive, while most of the world – excluding China – was renormalising fully as the Omicron variant scare proved to be relatively short-lived. The top-line growth experienced by both companies in the previous two years simply appeared unsustainable, while we had particular concerns over energy and raw material costs for Daetwyler Holding.

Another Covid beneficiary, Roche Holding, was exited. After a rerating to peak valuation multiples and with our portfolio having other pharmaceutical longs that had benefited from the pandemic, we felt it was prudent to reduce our sector exposure. The unwind in operational performance of pandemic winners would, in fact, become a theme in our short book.

Report on the Activities of the Fund* continued

31 December 2022

Melchior European Absolute Return Fund (continued)

Fund activity (continued)

We also closed our holding in Vonovia, the German-listed largest owner/operator of multi-dwelling housing in Europe. We had been positive on its progress in consolidating the market and the long-term investment case but this was marred in the near term by the onset of the interest rate tightening cycle.

Another exit later in the year was Cie Financiere Richemont as its valuation started to reflect our perception of the quality of the business more closely. We switched this exposure into LVMH, a larger and more diversified luxury name which we view as the best-in-class and a continuing compounder over time.

In the fourth quarter, we closed our long position in Musti Group, the leading Nordic pet food and accessory retailer. After a couple of years of excellent progress following its successful IPO, slowing growth in Finland, its main market, and disappointing profitability in the last quarter of its fiscal year 2022 contradicted our investment thesis. We no longer believe it will achieve its mid-term 2024 targets.

Finally, it is important to highlight that we increased the concentration of our long book over the year, in a conscious decision to allow us to focus more on names we had greater conviction in. Smaller holdings exited included Applus Services, Befesa and Piaggio & C. among others.

A number of new longs were initiated over the year. One that was a strong contributor and we remain excited about is AIXTRON, a manufacturer of capital equipment machines required by chipmakers that deposit the substrate layers of materials onto the base layer of semiconductor wafers. It has a market share of 90%+ in three out of its five main end markets and is gaining share in another, due to having the gold-standard industry machines where quality, precision and throughput are paramount, providing a competitive advantage. We believe the share price is underappreciative of, in particular, AIXTRON's prospects in the micro- LED segment – set to drive the next generation of screen displays, starting with smartwatches and then progressing to televisions and smartphones later this decade. Given these drivers are linked to technological adoption cycles, we also expect the business to have low correlation to equity markets and macro cyclicality.

We also invested in an Italian-listed niche industrial business called Interpump Group. The shares had derated with the market sell- off in H1 to levels we believe overlooked its quality, underpinned by a leading global share in its area of greatest specialisation, ultra-high-pressure water jet pumps. Additionally, with bolt-ons core to its strategy and a long history of accretive deals with excellent integration and operational improvements, we felt its future dealmaking potential was also being ignored by the market. Earnings into the year-end exhibited its relative resilience compared to many cyclicals, with a second guidance raise at Q3 reporting and a backlog that secures most of next year's revenue base. As a result, we remain positive.

Two UK names were added. Rightmove is a business we have been familiar with for many years, is an international peer, but not rival, of our largest holding (Scout24) and was purchased opportunistically after news of the CEO's planned departure in 2023 compounded the sell-off the shares had seen in the general growth derating of Q1. RELX, a B2B business information and data analytics company, was added to the portfolio in late summer. It is a market-leading, extremely high-quality enterprise that we expect to generate attractive compounding returns over time. As a provider of essential products that are small cost items for its clients, with a heavy subscription revenue weighting, we expect it to remain resilient and defensive in these volatile markets.

Musti was a poor performer, as weak execution from management on costs led to a material a decline in consensus estimates and its earnings/valuation multiple. We exited the name.

Fluidra was another poor performer, giving back much of its pandemic gains. We reduced the position materially but still view it favourably for the long term.

On the short side, we increased the size of a few existing names and added several new positions, particularly in H1. We added to our short positions in the railway rolling stock sector and see scope for disappointment from both a financial accounting perspective and fundamental industry conditions. Management contact and research suggests a risk of margin disappointment going forwards. We also believe a credit rating downgrade is likely to come for one of these names which may force a rights issue.

Two new shorts we continue to run are exposed to the cycling and outdoor leisure markets. These both experienced extraordinary growth during the pandemic and entered 2022 with the market seemingly extrapolating ongoing success, despite slow product replacement lifecycles and the impending normalisation of consumer habits as Covid restrictions unwound. Signs of strain on the balance sheet, including concerning inventory builds, reinforced our conviction and continue to be overhangs for the names.

As mentioned earlier, other pandemic winners were added to the short book as well. Bloated inventory and 1-2 years of revenue pull-forward due to the pandemic were common themes to these names, including an Italian-listed kitchen appliance business and two Swedish-listed home and garden/outdoor appliance manufacturers.

Finally, we also added low-quality renewables names which we believe will continue to struggle with profitability, as well as an Italian-listed engineering and construction company with potential liabilities from Russian project exposure which we envisage will require funding.

Detractors on the short side included holdings in the rail, wind and household appliance sectors. Notable exits in our short book included an education and HR software provider, a medical consumables manufacturer and a gym equipment manufacturer. These were profitable positions for the year, and we concluded that the share prices reflected our bear investment theses much more reasonably.

Market outlook

We expect macroeconomic data to continue to be the key driver of markets in 2023, with inflation and interest rates remaining the main focus in H1. The market has taken great comfort in inflation coming down from peak levels and lower incremental central bank hikes. However, our current thinking is that equity valuations are a little complacent in light of what the actual ramifications are of FOMC interest rates reaching around 5% this year. Furthermore, we believe that current expectations for rate cuts to follow in the second half are slightly optimistic, particularly given the strength that still exists in the labour market and the reiteration of the staunch commitment to reducing inflation by Fed Chair Powell in his December address. Moreover, despite investor glee that the end is in sight for rate hikes, the quantitative tightening effect of central banks deleveraging their balance sheets will further reduce liquidity conditions. Additionally, equity risk premia currently sit at historically low levels.

From a corporate perspective, we anticipate broader earnings volatility than what we witnessed last year. Though investors have been well aware of the squeeze on consumer disposable income for some time, we are still in the early days of seeing its full effects. Many had excess savings to run down last year, while energy price spikes only hit most households in the last quarter, and just the first groups of mortgage holders have had to roll-off from cheaper previous rates so far. Furthermore, though supply- chain issues have eased for most companies, the gross margin effect of higher raw material prices is yet to fully flow through while wage inflation will persist. Though many companies passed through inflation and achieved often roughly flat or slightly declining volumes in 2022, price hikes will be much harder to achieve without negative volume growth in 2023. Additionally, although Treasury yields may have peaked, as with mortgage debt, it is only the first round of corporate debt maturities that have needed refinancing at higher prevailing rates.

There are potential sources of optimism too: companies have somewhat weathered the storm so far, unemployment is low, consumers have not entered this downturn leveraged, the Chinese economy is reopening and inflation is heading in the right direction. Additionally, while the outcome remains uncertain, each day that passes is a day nearer the end of the conflict in Ukraine – from which we obviously hope for a conclusion with greater stability and peace. Given Vladimir Putin's failure to achieve his initial objectives, it seems more likely that he considers potential ways to de-escalate and retreat while saving face, rather than more radical plans of attack.

Considering this backdrop, we enter 2023 positioned cautiously. After revisiting our theses on many short names that participated strongly in the Q4 market bounce, we continue to see material downside and attractive, asymmetric risk/reward on that side of the portfolio in particular. In our long book, we perceive the majority of the holdings to comprise a balance of stocks that present as either names harshly derated indiscriminately with the broader market in 2022 despite strong performance, defensive plays that should remain resilient in a recession or businesses tied to positive structural growth or adoption cycles.

As ever, we shall not fixate on the macroeconomic outlook but will continue to focus our attention on bottom-up research to identify long and short alpha candidates. We would like to thank our clients for their loyalty and patience, which we hope to reward in 2023. The portfolio manager and team are always available so do get in touch.

Melchior Global Equity Fund (in liquidation since 12 December 2022)

Due to the low level of assets in the Fund, the independent Board of Directors took the decision to suspend and liquidate the Fund with effect from 12 December 2022.

January 2023

* Indications and comparisons are historical and are not necessarily an indication of future results.

Audit Report

To the Shareholders of Melchior Selected Trust 4, rue Peternelchen L-2370 Howald Luxembourg

Opinion

We have audited the financial statements of Melchior Selected Trust (the "Fund") and of each of its sub funds, which comprise the statement of net assets and the statement of investments in securities and other net assets as at 31 December 2022, and the statement of operations and changes in net assets for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund and of each of its sub-funds as at 31 December 2022, and of the results of their operations and changes in their net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier'' ("CSSF"). Our responsibilities under the Law of 23 July

2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the« responsibilities of the "reviseur d'entreprises agree" for the audit of the financial statements » section of our report. We are also independent of the Fund in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors of the Fund is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our report of the "reviseur d'entreprises agree" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors of the Fund for the financial statements

The Board of Directors of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors of the Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors of the Fund is responsible for assessing the Fund's and each of its sub-funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors of the Fund either intends to liquidate the Fund or any of its sub-funds or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "reviseur d'entreprises agree" for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "reviseur d'entreprises agree" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the Fund.
- Conclude on the appropriateness of Board of Directors of the Fund use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's or any of its sub-funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "reviseur d'entreprises agree" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the"reviseur d'entreprises agree". However, future events or conditions may cause the Fund or any of its sub-funds (except for the sub-fund where a decision or an intention to close exists) to cease to continue as a going concern.
- In respect of sub-fund where a decision or an intention to close exists, we conclude on the appropriateness of the Board of Directors of the Fund's use of the non-going concern basis of accounting. We also evaluate the adequacy of the disclosures describing the non-going basis of accounting and reasons for its use. Our conclusions are based on the audit evidence obtained up to the date of our report of the "reviseur d'entreprises agree".
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young Societe anonyme
Cabinet de revision agree

Isabelle Nicks

Luxembourg, 28 March 2023

Statement of Net Assets

As at 31 December 2022

	Notes	Melchior European Opportunities Fund As at 31 December 2022 EUR	Melchior European Absolute Return Fund As at 31 December 2022 EUR	Melchior Global Equity Fund As at 31 December 2022 GBP
Assets				
Portfolio:				
– Cost		712,242,410.04	5,391,583.88	717,633,993.92
– Net unrealised result		94,073,714.00	(1,413.71)	94,072,300.29
		806,316,124.04	5,390,170.17	811,706,294.21
Cash:				
– Cash at sight		43,695,904.44	159,142.52	43,855,046.96
– Cash at sight by the broker		–	936,470.76	936,470.76
– Cash pledged	16	–	1,000,000.00	1,000,000.00
– Margin deposits	15	–	996,689.18	996,689.18
Other assets:				
– Receivable on subscriptions		96,741.05	–	96,741.05
– Bank interest receivable		6,854.27	–	6,854.27
Dividend receivable		203,777.62	1,190.92	204,968.54
Receivable for investments sold		208,282.42	–	208,282.42
– Unrealised gain on forward foreign exchange contracts on currencies	26	–	35.46	35.46
– Unrealised gain on contracts for difference	24	–	79,938.94	79,938.94
– Options contracts at market value	25	–	24,991.00	24,991.00
– Other		–	29.04	29.04
		850,527,683.84	8,588,657.99	859,116,341.83

The notes are an integral part of these financial statements.

	Notes	Melchior European Opportunities Fund As at 31 December 2022 EUR	Melchior European Absolute Return Fund As at 31 December 2022 EUR	Melchior Global Equity Fund As at 31 December 2022 GBP
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		850,527,683.84	8,588,657.99	859,116,341.83

The notes are an integral part of these financial statements.

Statement of Operations and Changes in Net Assets

For the year ended 31 December 2022

	Notes	Melchior European Opportunities Fund As at 31 December 2022 EUR	Melchior European Absolute Return Fund As at 31 December 2022 EUR	Melchior Global Equity Fund As at 31 December 2022 GBP
Liabilities				
Bank overdraft				
– Cash at sight		343,603.00	0.33	343,603.33
– Cash at sight by the broker		–	194,449.51	194,449.51
– Margin call	15	–	65,589.13	65,589.13
Other liabilities:				
– Redemptions payable		157,189.73	–	157,189.73
– Unrealised loss on forward foreign exchange contracts on currencies	26	–	81,872.34	81,872.34
– Unrealised loss on contracts for difference	24	–	113,273.56	113,273.56
– Bank interest payable		–	7,871.20	7,871.20
– Dividend payable		–	2,711.18	2,711.18
– Taxes and expenses payable		1,695,964.34	42,495.03	1,738,459.37
		2,196,757.07	508,262.28	2,705,019.35
Net assets		848,330,926.77	8,080,395.71	856,411,322.48

The notes are an integral part of these financial statements.

	Notes	Melchior European Opportunities Fund 31 December 2022 EUR	Melchior European Absolute Return Fund 31 December 2022 EUR	Melchior Global Equity Fund* 31 December 2022 GBP	Combined** EUR 31 December 2022 GBP
Net assets at the beginning of the year		1,308,134,451.03	6,580,589.94	6,017,548.33	1,321,497,440.49
Income					
Income from investments:					
– Dividends, net		22,514,065.75	116,336.32	55,122.14	22,692,530.43
– Bond interest, net		–	1,660.25	–	1,660.25
– Dividends income on contracts for difference		–	104,428.59	–	104,428.59
Other income		285,795.97	–	7,156.79	293,862.41
		22,799,861.72	222,425.16	62,278.93	23,092,481.68
Expenses					
Interest expenses on contracts for difference		–	(23,721.27)	–	(23,721.27)
Bank interest, net		(230,855.99)	(75,020.45)	(88.23)	(305,975.88)
Dividends expense on contracts for difference		–	(140,451.99)	–	(140,451.99)
Fees:					
– Management fee	8	(9,026,333.58)	(115,487.67)	(11,544.26)	(9,154,832.83)
– Performance fee	9	–	(44.61)	–	(44.61)
– Depositary fees	12	(657,435.87)	(3,352.30)	(4,120.00)	(665,431.84)
Other expenses:					
– Annual tax	7	(440,819.41)	(3,582.60)	(1,878.94)	(446,519.77)
– Audit fees		(105,149.68)	(699.29)	(474.66)	(106,383.96)
– Transaction fees	14	(300,568.49)	(2,603.86)	(4,413.12)	(308,146.39)
– Administration and other expenses	13,17	(1,128,658.95)	(18,810.07)	(10,356.76)	(1,159,142.16)
– Interests on securities borrowing		–	(22,717.03)	–	(22,717.03)
		(11,889,821.97)	(406,491.14)	(32,875.97)	(12,333,367.73)
Net operating result		10,910,039.75	(184,065.98)	29,402.96	10,759,113.95

The notes are an integral part of these financial statements.

Statement of Operations and Changes in Net Assets continued

For the year ended 31 December 2022

	Notes	Melchior European Opportunities Fund 31 December 2022 EUR	Melchior European Absolute Return Fund 31 December 2022 EUR	Melchior Global Equity Fund* 31 December 2022 GBP	Combined** 31 December 2022 EUR
Net realised result on					
– Sale of investments		37,387,544.29	152,107.57	946,298.00	38,606,227.61
– Forward foreign exchange contracts on currencies		(6,956.54)	(196,258.22)	(58.21)	(203,280.37)
– Foreign exchange		1,746,892.57	183.99	(16,877.90)	1,728,053.42
– Swaps		–	33.12	–	33.12
– Futures		–	51,740.19	–	51,740.19
– Contracts for difference		–	(118,415.51)	–	(118,415.51)
– Options		–	(1,138.56)	–	(1,138.56)
Net realised result		50,037,520.07	(295,813.40)	958,764.85	50,822,333.85
Change in net unrealised (depreciation)/ appreciation on					
– Investments		(311,532,103.73)	(1,329.52)	(2,036,232.51)	(313,828,477.95)
– Forward foreign exchange contracts on currencies		–	(101,285.30)	–	(101,285.30)
– Foreign exchange		(31,281.05)	7,482.92	8.29	(23,788.79)
– Futures		–	26,320.00	–	26,320.00
– Contracts for difference		–	(72,944.80)	–	(72,944.80)
– Options		–	(5,433.41)	–	(5,433.41)
Net decrease/increase in net assets as a result of operations		(261,525,864.71)	(443,003.51)	(1,077,459.37)	(263,183,276.40)
Movements in capital					
Subscription of shares		188,000,381.33	3,454,351.15	198,249.63	191,678,180.33
Redemption of shares		(386,278,040.88)	(1,511,541.87)	(5,138,338.59)	(393,581,021.94)
		(198,277,659.55)	1,942,809.28	(4,940,088.96)	(201,902,841.61)
Net assets at the end of the period		848,330,926.77	8,080,395.71	–	856,411,322.48

* The Sub-Fund is in liquidation since 12 December 2022.

** Calculated using 31 December 2022 exchange rates. Using 31 December 2021 exchange rates, the combined NAV at the beginning of the year was EUR 1,321,882,202.19.

The notes are an integral part of these financial statements.

Statistical Information

31 December 2022

Melchior European Opportunities Fund

Shares	Class B EUR Accumulation Shares	Class CS EUR Accumulation Shares	Class I EUR Accumulation Shares	Class I EUR Distribution Shares	Class I GBP Accumulation Shares	Class I USD Accumulation Shares
Shares outstanding at the beginning of the year	318,866.2399	322,455.9527	2,642,220.3409	–	8,805.6603	87,492.3633
Subscription of shares	43,232.1308	63,538.3589	367,586.7048	11.2804	3,135.2837	10,143.9230
Redemption of shares	(81,207.8002)	(339,616.5755)	(859,940.4074)	–	(2,400.4678)	(36,814.1738)
Shares outstanding at the end of the year	280,890.5705	46,377.7361	2,149,866.6383	11.2804	9,540.4762	60,822.1125

Net asset value per share	EUR	EUR	EUR	EUR	GBP	USD
At the end of the year	132.27	126.61	313.22	103.61	364.92	239.26

Shares	Class P EUR Accumulation Shares	Class P EUR Distribution Shares	Class X EUR Accumulation Shares	Class X GBP Accumulation Shares
Shares outstanding at the beginning of the year	792,906.8898	–	650.0000	48.0000
Subscription of shares	74,980.4088	315,339.3049	–	–
Redemption of shares	(187,141.6299)	(156,239.0245)	(339.0000)	–
Shares outstanding at the end of the year	680,745.6687	159,100.2804	311.0000	48.0000

Net asset value per share	EUR	EUR	EUR	GBP
At the end of the year	142.91	103.61	300.34	371.25

Statistical Information continued

31 December 2022

Melchior European Absolute Return Fund

Shares	Class C GBP Hedged Accumulation Shares	Class H GBP Hedged Accumulation Shares	Class I EUR Accumulation Shares	Class I GBP Hedged Accumulation Shares	Class I JPY Hedged Accumulation Shares	Class L EUR Accumulation Shares
Shares outstanding at the beginning of the year	24.4320	3,660,549.1588	1,219.3312	13,035.3992	10.0000	100.0000
Subscription of shares	–	44,732.2335	9,444.0000	16,433.6009	–	–
Redemption of shares	–	(336,389.7812)	–	(7,654.8562)	–	–
Shares outstanding at the end of the year	24.4320	3,368,891.6111	10,663.3312	21,814.1439	10.0000	100.0000

Net asset value per share	GBP	GBP	EUR	GBP	JPY	EUR
At the end of the year	125.01	1.20	108.80	130.76	68.67	97.00

Melchior Global Equity Fund*

Shares	Class F GBP Accumulation Shares
Shares outstanding at the beginning of the year	25,899.3762
Subscription of shares	999.3634
Redemption of shares	(26,898.7396)
Shares outstanding at the end of the year	–

Net asset value per share	GBP
At the end of the year	–

* The Sub-Fund is in liquidation since 12 December 2022.

TER (Total Expense Ratio) (unaudited)

As at 31 December 2022

Melchior European Opportunities Fund

	Class B EUR Accumulation Shares	Class CS EUR Accumulation Shares	Class I EUR Accumulation Shares	Class I EUR Accumulation Shares
TER	1.88%	1.09%	1.08%	1.18%

	Class I GBP Accumulation Shares	Class I USD Accumulation Shares	Class P EUR Accumulation Shares	Class P EUR Distribution Shares
TER	1.08%	1.08%	1.04%	1.18%

	Class X EUR Accumulation Shares	Class X GBP Accumulation Shares
TER	0.23%	0.23%

Melchior European Absolute Return Fund

	Class C GBP Hedged Accumulation Shares	Class H GBP Hedged Accumulation Shares	Class I EUR Accumulation Shares	Class I JPY Hedged Accumulation Shares
TER	2.35%	2.11%	1.86%	1.81%

	Class I GBP Hedged Accumulation Shares	Class L EUR Accumulation Shares
TER	1.86%	1.36%

Changes in the Number of Shares in Net Assets and in Net Asset Value per Share

As at 31 December 2022

Melchior European Opportunities Fund

Date	Share Class	Number of shares outstanding	Net Assets	Ccy	Net asset value per share
*30.04.20	Class CS EUR Accumulation Shares	150.0000	14,750.83	EUR	98.34
**15.05.20	Class X USD Accumulation Shares	370.0000	41,266.83	USD	111.53
31.12.20	Class B EUR Accumulation Shares	296,669.4704	38,191,967.16	EUR	128.74
	Class CS EUR Accumulation Shares	533.0648	64,641.48	EUR	121.26
	Class I EUR Accumulation Shares	2,800,078.6066	840,049,218.30	EUR	300.01
	Class I GBP Accumulation Shares	8,215.0090	2,570,239.73	GBP	312.87
	Class I USD Accumulation Shares	59,008.4326	16,546,150.43	USD	280.40
	Class P EUR Accumulation Shares	1,142,980.1844	156,321,643.14	EUR	136.77
	Class X EUR Accumulation Shares	650.0000	183,836.00	EUR	282.82
	Class X GBP Accumulation Shares	48.0000	15,021.08	GBP	312.94
31.12.21	Class B EUR Accumulation Shares	318,866.2399	53,039,886.00	EUR	166.34
	Class CS EUR Accumulation Shares	322,455.9527	50,926,535.70	EUR	157.93
	Class I EUR Accumulation Shares	2,642,220.3409	1,032,471,019.78	EUR	390.76
	Class I GBP Accumulation Shares	8,805.6603	3,365,821.12	GBP	382.23
	Class I USD Accumulation Shares	87,492.3633	29,697,949.41	USD	339.43
	Class P EUR Accumulation Shares	792,906.8898	141,309,665.75	EUR	178.22
	Class X EUR Accumulation Shares	650.0000	241,486.13	EUR	371.52
	Class X GBP Accumulation Shares	48.0000	18,508.09	GBP	385.59
31.12.22	Class B EUR Accumulation Shares	280,890.5705	37,154,430.01	EUR	132.27
	Class CS EUR Accumulation Shares	46,377.7361	5,871,675.04	EUR	126.61
	Class I EUR Accumulation Shares	2,149,866.6383	673,388,924.65	EUR	313.22
*31.10.22	Class I EUR Distribution Shares	11.2804	1,168.73	EUR	103.61
	Class I GBP Accumulation Shares	9,540.4762	3,088,889.98	GBP	323.77
	Class I USD Accumulation Shares	60,822.1125	15,531,064.62	USD	255.35
	Class P EUR Accumulation Shares	680,745.6687	97,284,738.94	EUR	142.91
*31.10.22	Class P EUR Distribution Shares	159,100.2804	16,484,856.05	EUR	103.61
	Class X EUR Accumulation Shares	311.0000	93,404.70	EUR	300.34
	Class X GBP Accumulation Shares	48.0000	15,810.42	GBP	329.38

* first valuation

** last valuation

Melchior European Absolute Return Fund

Date	Share Class	Number of shares outstanding	Net Assets	Ccy	Net asset value per share
*10.01.20	Class L EUR Accumulation Shares	100.0000	9,962.86	EUR	99.63
31.12.20	Class C GBP Hedged Accumulation Shares	75.9350	8,296.03	GBP	109.25
	Class H GBP Hedged Accumulation Shares	4,181,822.3760	4,375,377.61	GBP	1.05
	Class I EUR Accumulation Shares	157,951.8280	17,088,975.92	EUR	108.19
	Class I GBP Hedged Accumulation Shares	743.7191	84,170.78	GBP	113.18
	Class I JPY Hedged Accumulation Shares	10.0000	96,128.61	JPY	9,612.86
	Class L EUR Accumulation Shares	100.0000	9,551.52	EUR	95.52
**28.07.21	Class I USD Hedged Accumulation Shares	7,946.8023	830,493.42	USD	104.51
31.12.21	Class C GBP Hedged Accumulation Shares	24.4320	2,709.13	GBP	110.88
	Class H GBP Hedged Accumulation Shares	3,660,549.1588	3,896,702.46	GBP	1.06
	Class I EUR Accumulation Shares	1,219.3312	133,771.81	EUR	109.71
	Class I GBP Hedged Accumulation Shares	13,035.3992	1,504,540.49	GBP	115.42
	Class I JPY Hedged Accumulation Shares	10.0000	97,762.59	JPY	9,776.26
	Class L EUR Accumulation Shares	100.0000	9,730.38	EUR	97.30
31.12.22	Class C GBP Hedged Accumulation Shares	24.4320	2,709.74	GBP	110.91
	Class H GBP Hedged Accumulation Shares	3,368,891.6111	3,597,115.93	GBP	1.07
	Class I EUR Accumulation Shares	10,663.3312	1,160,168.48	EUR	108.80
	Class I GBP Hedged Accumulation Shares	21,814.1439	2,530,797.90	GBP	116.02
	Class I JPY Hedged Accumulation Shares	10.0000	96,702.00	JPY	9,670.20
	Class L EUR Accumulation Shares	100.0000	9,699.98	EUR	97.00

* first valuation

** last valuation

Changes in the Number of Shares in Net Assets and in Net Asset Value per Share continued

As at 31 December 2022

Melchior Global Equity Fund*

Date	Share Class	Number of shares outstanding	Net Assets	Ccy	Net asset value per share
** 03.04.20	Class X USD Accumulation Shares	408.4530	58,806.18	USD	143.97
** 08.31.20	Class X GBP Accumulation Shares	540.0000	95,297.88	GBP	176.48
31.12.20	Class F GBP Accumulation Shares	23,934.3517	4,527,913.52	GBP	189.18
31.12.21	Class F GBP Accumulation Shares	25,899.3762	6,017,548.33	GBP	232.34
**31.12.22	Class F GBP Accumulation Shares	24,109.6123	6.25	GBP	185.70

* the Sub-Fund is in liquidation since 12 December 2022.

** last valuation

The notes are an integral part of these financial statements.

Statement of Investments in Securities and Other Net Assets Melchior European Opportunities Fund

31 December 2022

Melchior European Opportunities Fund

Quantity	Description	Ccy	Cost	Value per security	Market value (see notes)	% of net assets
	Transferable securities and money market instruments admitted to an official stock exchange or dealt in on another regulated market					
	Equities					
	Austria					
402,189.00	Erste Group Bank AG	EUR	12,175,299.67	29.900	12,025,451.10	1.42
237,601.00	Schoeller-Bleckmann Oilfield Equipment AG	EUR	13,018,353.52	58.200	13,828,378.20	1.63
	Total Austria		25,193,653.19		25,853,829.30	3.05
	Belgium					
433,320.00	Azelis Group NV	EUR	10,088,318.55	26.520	11,491,646.40	1.36
1,627.00	Lotus Bakeries NV	EUR	8,135,000.00	6,320.000	10,282,640.00	1.21
701,157.00	Recticel SA	EUR	5,450,085.34	15.540	10,895,979.78	1.28
	Total Belgium		23,673,403.89		32,670,266.18	3.85
	Denmark					
161,065.00	Royal Unibrew A/S	DKK	10,430,056.94	66.604	10,727,647.84	1.26
	Total Denmark		10,430,056.94		10,727,647.84	1.26
	Finland					
1,381,459.00	Nordea Bank Abp	SEK	13,451,289.47	10.043	13,873,956.34	1.63
938,485.00	Sanoma Oyj	EUR	13,253,364.04	9.820	9,215,922.70	1.09
	Total Finland		26,704,653.51		23,089,879.04	2.72
	France					
91,064.00	Alten SA	EUR	9,247,703.44	116.800	10,636,275.20	1.25
237,353.00	Amundi SA	EUR	14,164,943.46	53.000	12,579,709.00	1.48
118,962.00	Capgemini SE	EUR	23,304,315.05	155.950	18,552,123.90	2.19
207,675.00	Edenred	EUR	10,291,867.31	50.880	10,566,504.00	1.25
82,215.00	Laurent-Perrier	EUR	8,083,972.93	134.000	11,016,810.00	1.30
23,760.00	Robertet SA	EUR	17,461,051.61	837.000	19,887,120.00	2.34
	Total France		82,553,853.80		83,238,542.10	9.81
	Germany					
213,541.00	Merck KGaA	EUR	30,675,005.83	180.900	38,629,566.90	4.55
250,512.00	Stabilus SE	EUR	13,381,381.48	62.900	15,757,204.80	1.86
46,095.00	STO SE & Co KGaA	EUR	8,798,219.37	150.400	6,932,688.00	0.82
	Total Germany		52,854,606.68		61,319,459.70	7.23

The notes are an integral part of these financial statements.

Statement of Investments in Securities and Other Net Assets Melchior European Opportunities Fund continued

31 December 2022

Melchior European Opportunities Fund continued

Quantity	Description	Ccy	Cost	Value per security	Market value (see notes)	% of net assets
	Transferable securities and money market instruments admitted to an official stock exchange or dealt in on another regulated market continued					
	Equities continued					
	Ireland					
335,969.00	CRH PLC	EUR	11,368,606.29	37.010	12,434,212.69	1.47
1,185,436.00	Grafton Group PLC	GBP	11,105,984.48	8.888	10,536,545.79	1.24
43,734.00	Linde PLC	EUR	11,557,758.49	305.450	13,358,550.30	1.57
	Total Ireland		34,032,349.26		36,329,308.78	4.28
	Italy					
1,790,170.00	FinecoBank Banca Fineco SpA	EUR	17,176,910.21	15.520	27,783,438.40	3.27
976,851.00	Infrastrutture Wireless Italiane SpA	EUR	8,932,347.69	9.414	9,196,075.31	1.08
157,140.00	Moncler SpA	EUR	4,857,821.45	49.500	7,778,430.00	0.92
3,042,301.00	Piaggio & C SpA	EUR	7,883,180.47	2.804	8,530,612.00	1.01
1,299,522.00	Technoprobe SpA	EUR	7,792,181.23	6.700	8,706,797.40	1.03
	Total Italy		46,642,441.05		61,995,353.11	7.31
	Jersey					
11,268,383.00	Breedon Group PLC	GBP	10,235,071.07	0.688	7,747,379.12	0.91
142,581.00	Ferguson PLC	GBP	10,805,226.75	117.669	16,777,433.61	1.98
	Total Jersey		21,040,297.82		24,524,812.73	2.89
	Netherlands					
329,719.00	Aalberts NV	EUR	16,576,784.82	36.230	11,945,719.37	1.41
61,683.00	ASML Holding NV	EUR	17,825,785.45	503.800	31,075,895.40	3.66
706,466.00	ASR Nederland NV	EUR	22,490,457.15	44.350	31,331,767.10	3.69
243,026.00	QIAGEN NV	EUR	10,722,600.70	47.010	11,424,652.26	1.35
554,129.00	Universal Music Group NV	EUR	8,799,319.16	22.510	12,473,443.79	1.47
	Total Netherlands		76,414,947.28		98,251,477.92	11.58
	Norway					
547,970.00	Kongsberg Gruppen ASA	NOK	11,752,001.80	39.530	21,661,363.94	2.55
	Total Norway		11,752,001.80		21,661,363.94	2.55
	Portugal					
912,522.00	Corticeira Amorim SGPS SA	EUR	8,817,222.08	8.720	7,957,191.84	0.94
	Total Portugal		8,817,222.08		7,957,191.84	0.94

The notes are an integral part of these financial statements.

Melchior European Opportunities Fund continued

Quantity	Description	Ccy	Cost	Value per security	Market value (see notes)	% of net assets
	Transferable securities and money market instruments admitted to an official stock exchange or dealt in on another regulated market continued					
	Equities continued					
	Spain					
1,718,702.00	Applus Services SA	EUR	18,868,484.76	6.415	11,025,473.33	1.30
2,126,573.00	Bankinter SA	EUR	9,363,752.94	6.268	13,329,359.56	1.57
479,514.00	Fluidra SA	EUR	6,427,277.86	14.520	6,962,543.28	0.82
363,829.00	Inmobiliaria Colonial Socimi SA	EUR	2,586,727.05	6.010	2,186,612.29	0.26
372,952.00	Laboratorios Farmaceuticos Rovi SA	EUR	10,015,584.04	36.060	13,448,649.12	1.59
184,928.00	Viscofan SA	EUR	10,260,563.32	60.200	11,132,665.60	1.31
	Total Spain		57,522,389.97		58,085,303.18	6.85
	Sweden					
427,904.00	Loomis AB	SEK	11,248,836.13	25.719	11,005,234.41	1.30
255,850.00	Thule Group AB	SEK	7,775,849.93	19.577	5,008,766.30	0.59
399,149.00	Trelleborg AB	SEK	8,571,007.42	21.654	8,643,277.29	1.02
	Total Sweden		27,595,693.48		24,657,278.00	2.91
	Switzerland					
165,622.00	Cie Financiere Richemont SA	CHF	17,359,277.70	121.428	20,111,079.42	2.37
13,327.00	Inficon Holding AG	CHF	7,310,376.49	819.307	10,918,905.13	1.29
3,851.00	Interroll Holding AG	CHF	5,537,808.10	2,379.940	9,165,149.51	1.08
28,519.00	Lonza Group AG	CHF	8,274,802.44	458.873	13,086,590.98	1.54
230,663.00	Nestle SA	CHF	18,555,777.29	108.505	25,028,092.50	2.95
98,477.00	Roche Holding AG	CHF	22,379,603.44	294.201	28,972,042.91	3.42
	Total Switzerland		79,417,645.46		107,281,860.45	12.65

The notes are an integral part of these financial statements.

Statement of Investments in Securities and Other Net Assets Melchior European Opportunities Fund continued

31 December 2022

Melchior European Opportunities Fund continued

Quantity	Description	Ccy	Cost	Value per security	Market value (see notes)	% of net assets
	Transferable securities and money market instruments admitted to an official stock exchange or dealt in on another regulated market continued					
	Equities continued					
	United Kingdom					
405,816.00	Diageo PLC	GBP	12,796,120.57	41.139	16,694,960.83	1.97
156,521.00	Games Workshop Group PLC	GBP	11,127,434.19	96.536	15,109,961.41	1.78
125,805.00	Genus PLC	GBP	4,838,712.72	33.633	4,231,166.30	0.50
1,963,583.00	Howden Joinery Group PLC	GBP	15,111,333.59	6.330	12,429,101.56	1.46
331,391.00	Intermediate Capital Group PLC	GBP	5,525,031.46	12.939	4,287,913.06	0.51
8,182,560.00	JD Sports Fashion PLC	GBP	11,725,113.64	1.422	11,634,288.46	1.37
91,456.00	London Stock Exchange Group PLC	GBP	6,161,103.81	80.430	7,355,808.56	0.87
1,431,219.00	OSB Group PLC	GBP	9,466,303.53	5.408	7,739,799.50	0.91
274,144.00	Prudential PLC	GBP	4,126,420.44	12.708	3,483,843.76	0.41
277,743.00	Reckitt Benckiser Group PLC	GBP	20,354,974.84	64.853	18,012,597.88	2.12
202,238.00	Renishaw PLC	GBP	10,739,206.47	41.342	8,360,946.85	0.99
1,798,443.00	Volution Group PLC	GBP	7,565,137.43	4.114	7,398,657.38	0.87
1,290,405.00	Watches of Switzerland Group PLC	GBP	8,060,301.14	9.248	11,933,504.38	1.41
	Total United Kingdom		127,597,193.83		128,672,549.93	15.17
	Total Equities		712,242,410.04		806,316,124.04	95.05
	Total transferable securities and money market instruments admitted to an official stock exchange or dealt in on another regulated market		712,242,410.04		806,316,124.04	95.05
	Total investments in securities		712,242,410.04		806,316,124.04	95.05
	Cash/(bank overdraft)				43,352,301.44	5.11
	Other assets and liabilities				(1,337,498.71)	(0.16)
	Total Net Assets				848,330,926.77	100.00

The notes are an integral part of these financial statements.

Statement of Investments in Securities and Other Net Assets
Melchior European Absolute Return Fund

As at 31 December 2022

Melchior European Absolute Return Fund

Quantity	Description	Ccy	Cost	Value per security	Market value (see notes)	% of net assets
	Transferable securities and money market instruments admitted to an official stock exchange or dealt in on another regulated market					
	Government Bonds					
	France					
1,700,000.00	France Treasury Bill BTF	EUR	1,698,207.93	0.999	1,698,440.27	21.02
	Total France		1,698,207.93		1,698,440.27	21.02
	Germany					
2,000,000.00	German Treasury Bill	EUR	1,996,666.79	0.998	1,995,869.66	24.70
	Total Germany		1,996,666.79		1,995,869.66	24.70
	Netherlands					
1,700,000.00	Dutch Treasury Certificate	EUR	1,696,709.16	0.998	1,695,860.24	20.98
	Total Netherlands		1,696,709.16		1,695,860.24	20.98
	Total Government Bonds		5,391,583.88		5,390,170.17	66.70
	Total transferable securities and money market instruments admitted to an official stock exchange or dealt in on another regulated market		5,391,583.88		5,390,170.17	66.70
	Total investments in securities		5,391,583.88		5,390,170.17	66.70
	Cash/(bank overdraft)				2,832,263.49	35.05
	Other assets and liabilities				(142,037.95)	(1.75)
	Total Net Assets				8,080,395.71	100.00

Geographical Classification of the Investments on Securities

As at 31 December 2022

Melchior European Opportunities Fund

Countries	% of net assets
United Kingdom	15.17
Switzerland	12.65
Netherlands	11.58
France	9.81
Italy	7.31
Germany	7.23
Spain	6.85
Ireland	4.28
Belgium	3.85
Austria	3.05
Sweden	2.91
Jersey	2.89
Finland	2.72
Norway	2.55
Denmark	1.26
Portugal	0.94
Total investments in securities	95.05
Other assets/(liabilities) and liquid assets	4.95
Net Assets	100.00

Melchior European Absolute Return Fund

Countries	% of net assets
Germany	24.70
France	21.02
Netherlands	20.98
Total investments in securities	66.70
Other assets/(liabilities) and liquid assets	33.30
Net Assets	100.00

Economic Classification of the Investments on Securities

As at 31 December 2022

Melchior European Opportunities Fund

Economic sectors	% of net assets
Health Care	12.45
Industrial Products	11.88
Consumer Staple Products	11.31
Materials	10.72
Consumer Discretionary Products	8.62
Industrial Services	8.16
Banking	7.89
Tech Hardware & Semiconductors	5.98
Insurance	4.10
Financial Services	3.77
Retail & Wholesale – Discretionary	3.53
Media	2.56
Software & Tech Services	2.19
Oil & Gas	1.63
Real Estate	0.26
Total investments in securities	95.05
Other assets/(liabilities) and liquid assets	4.95
Net Assets	100.00

Melchior European Absolute Return Fund

Economic sectors	% of net assets
National	66.70
Total investments in securities	66.70
Other assets/(liabilities) and liquid assets	33.30
Net Assets	100.00

Notes to the Financial Statements

31 December 2022

1. General

Melchior Selected Trust (the "Fund") is an investment company organised under the laws of the Grand Duchy of Luxembourg as a Société d'Investissement à Capital Variable (SICAV) incorporated on 6 March 2006. It is governed by Part I of the modified Law of 2010 and it qualifies as a SICAV complying with the provisions of the law of 17 December 2010 regarding Undertakings for Collective Investment, as amended.

The revised Articles of Incorporation have been published in the Mémorial C, Recueil des Sociétés et Associations (the "Mémorial") of 7 May 2015 and have been filed with the Registre de Commerce et des Sociétés on 25 March 2015. Any interested person may inspect these documents at the Chancery of the Registre de Commerce et des Sociétés. Copies are available on request at the registered office of the Fund. The Fund is registered at the Registre de Commerce et des Sociétés under the number B 114.615.

With effect from 1 June 2022, the Board of Directors has resolved to appoint ONE fund management S.A. as the Management Company of the Fund.

The capital of the Fund is at any time equal to the total net assets of the various Sub-Funds, and is expressed in Euros ("EUR").

The Fund is an "umbrella fund" which consists of a separate portfolio of assets for each Sub-Fund and invested in accordance with the investment objective applicable to the relevant Sub-Fund.

During the year, Melchior Global Equity Fund was put into liquidation since 12 December 2022. As at 31 December 2022, the following Sub-Funds are available to investors:

- Melchior European Opportunities Fund
- Melchior European Absolute Return Fund

The Fund issues Shares of different classes reflecting the various Sub-Funds. As at 31 December 2022, the following share classes are available to investors:

- Class B Shares which are denominated in:
  Class B – EUR Accumulation Shares
- Class C Shares which are denominated in:
  Class C – GBP Hedged Accumulation Shares
  Class CS – EUR Accumulation Shares
- Class H Shares which are denominated in:
  Class H – GBP Hedged Accumulation Shares
- Class I Shares which are denominated in:
  Class I – EUR Accumulation Shares
  Class I – EUR Distribution Shares
  Class I – GBP Accumulation Shares
  Class I – GBP Hedged Accumulation Shares
  Class I – JPY Hedged Accumulation Shares
  Class I – USD Accumulation Shares
- Class L Shares which are denominated in:
  Class L – EUR Accumulation Shares
- Class P Shares which are denominated in:
  Class P – EUR Accumulation Shares
  Class P – EUR Distribution Shares
- Class X Shares which are denominated in:
  Class X – GBP Accumulation Shares
  Class X – EUR Accumulation Shares

Class X shares of a Sub-Fund are restricted to investors comprising other Sub-Funds of the Fund and such other investors as approved by the Board of Directors, which may include investors which are party to a discretionary management agreement with the Investment Manager or one of its affiliates.

2. Summary of Significant Accounting Policies

a. Valuation of the investments

The value of any securities listed or exchanged on a stock exchange or regulated market is calculated on the basis of the last available price.

In the event that the securities held in the portfolio on the relevant valuation date are not listed or exchanged on a stock exchange or another regulated market or if the price as determined pursuant to paragraph above is not representative of the fair market value of the relevant securities, the value of such securities is determined based on the reasonably foreseeable sales price determined prudently and in good faith by the Board of Directors of the Fund.

b. Net realised gain or loss on sales of investments

Net realised gain or loss on sales of investments are calculated on the basis of the average cost of the investments sold.

c. Translation of foreign currencies

Bank accounts, other net assets and market value of the investments in securities expressed in currencies other than the Sub-Fund's reporting currency are converted into the reporting currency at the exchange rates prevailing on the date of the balance sheet. Income and expenses in currencies other than the Sub-Fund's reporting currency are converted at the rate of exchange prevailing at payment date.

d. Formation expenses

Formation expenses are amortised on a straight line basis over a period of 5 years.

In the event that any additional Sub-Fund is set up within the Fund, then the following amortisation rules shall apply: the costs and expenses for setting-up such additional Sub-Fund shall be borne by all Sub-Funds and will be written off over a period of five years and the additional Sub-Fund shall bear a pro rata of the costs and expenses incurred in connection with the creation of the Fund and the initial issue of Shares, which have not already been written off at the time of the creation of the additional Sub-Fund.

e. Income and expense recognition

Dividends are recorded on the date upon which the relevant investments are first listed as ex-dividend.

Interest income is accrued on a daily basis. Income is recorded net of withholding tax, if any.

Expenses are accounted for on accrual basis. Expenses are included in the statement of operations and changes in net assets except for expenses incurred on the acquisition of an investment which are included within the cost of that investment. Expenses arising on the disposal of investments are deducted from the disposal proceeds.

f. Valuation of futures and options

Realised gains or losses on futures and options and changes in unrealised gains or losses are included in the Statement of Operations and Changes in Net Assets.

Notes to the Financial Statements continued

31 December 2022

2. Summary of Significant Accounting Policies (continued)

g. Forward foreign exchange contracts

Forward foreign exchange contracts are valued at the forward rate applicable at the Statement of Net Assets date for the remaining period until maturity.

Realised and unrealised gains or losses resulting from forward foreign exchange contracts are recognised in the Statement of Operations and Changes in Net Assets under the captions net realised result on foreign exchange and change in net unrealised appreciation/(depreciation) on forward foreign exchange contracts.

The unrealised gain/(loss) result on the outstanding forward foreign exchange contract(s) on currencies as at 31 December 2022 for Melchior European Absolute Return Fund is included in the Statement of Net Assets of the Sub-Fund.

h. Valuation of contracts for difference

Contracts for difference are valued based on the closing market price of the underlying security, out of any financing charges attributable to each contract. Upon entering into contracts for difference, the Fund may be required to pledge to the broker an amount of cash and/or other assets equal to a certain percentage of the contract amount ("initial margin").

Subsequently, payments known as "variation margin" are made or received by the Fund periodically, depending on fluctuations in the value of the underlying security. During the period the contracts are open, changes in the value of contracts are recognised as unrealised gains and losses by marking to market at each valuation point in order to reflect the value of the underlying security. Realised gains or losses upon closure of the contract are equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

The aggregate amount of commitments and the unrealised gain/(loss) of the open contracts for difference are disclosed in the notes at the end of the report. Dividends attributable to open contracts for difference are included in the value of the unrealised gain/(loss) at the end of the year.

The contracts are subject to a daily financing charge and income, usually applied at a previously agreed rate, which is accounted for as net interest on contracts for difference. All revenues arising from contracts for difference, net of direct and indirect operational costs and fees, will be returned to the Sub-Fund.

3. Other Assets

The item "Other assets" includes mainly dividends receivable on contracts for difference and receivable on forward foreign exchange transactions.

4. Cross-investments between Sub-Funds

A Sub-Fund may subscribe, acquire and/or hold units to be issued or issued by one or more Sub-Funds of the Fund under the condition that:

- the target Sub-Fund does not, in turn, invest in the Sub-Fund invested in this target Sub-Fund; and
- no more than 10% of the assets of the target Sub-Funds whose acquisition is contemplated, may be invested in aggregate in
- units of other UCIs; and
- voting rights, if any, attaching to the relevant securities are suspended for as long as they are held by the Sub-Fund concerned and without prejudice to the appropriate processing in the accounts and the periodic reports; and
- in any event, for as long as these securities are held by the Fund, their value will not be taken into consideration for the calculation of the net assets of the Fund for the purposes of verifying the minimum threshold of the net assets imposed by the Law of 2010.

There is no duplication of management/subscription or redemption fees between those at the level of the Sub-Fund having invested in the target Sub-Fund, and the target Sub-Fund.

As at 31 December 2022, no Sub-Funds hold cross-investments.

5. Exchange rates as at 31 December 2022

1	EUR	=	1.57377	AUD
1	EUR	=	0.98742	CHF
1	EUR	=	7.43644	DKK
1	EUR	=	0.88723	GBP
1	EUR	=	140.81831	JPY
1	EUR	=	10.51348	NOK
1	EUR	=	11.12021	SEK
1	EUR	=	1.06725	USD

6. Presentation basis of Financial Statements

The combined financial statements are based on the last official net asset value of the financial year (30 December 2022).

The combined financial statements are based on the reporting NAV that was calculated as at 31 December 2022 for the purposes of financial reporting.

The combined financial statements of the SICAV are expressed in EUR. Consequently, net assets and net results of each Sub-Fund expressed in a foreign currency other than EUR are converted and combined in EUR at the exchange rate applicable at the date of the financial statements.

The Fund prepares its combined financial statements and those of each Sub-Fund under going concern basis of accounting following generally accepted principle in Luxembourg.

The preparation of combined financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities during the reporting year. Actual results could differ from those estimates.

7. Annual Tax

The Fund is governed by the Luxembourg taxation laws.

Under the currently applicable legislation and regulation, the Fund is liable in Luxembourg to a tax (the "subscription tax") of up to 0.05% per annum of its net assets, such tax being payable quarterly and calculated on the basis of the net assets at the end of the relevant quarter.

The value of assets represented by shares held in other undertakings for collective investment already subject to the subscription tax is free from such taxation.

Under current law and practice, the Fund is not liable to Luxembourg taxes on income or capital gains, nor are dividends paid by the Fund liable to any Luxembourg withholding tax.

Interests, dividends and capital gains on securities may be subject to withholding or capital gains taxes in certain countries.

Notes to the Financial Statements continued

31 December 2022

8. Investment Management Fee

Investment Manager

The Board of Directors has appointed Polar Capital LLP as Investment Manager.

The fee of the Investment Manager for its services is as follows:

Share Class	Investment Management Fee
Melchior European Opportunities Fund	
Class B	Up to 1.65%
Classes CS, I and P	Up to 0.85%
Class X	None
Melchior European Absolute Return Fund	
Class C	Up to 2.00%
Class H	Up to 1.75%
Class I	Up to 1.50%
Class L	Up to 1.00%
Melchior Global Equity Fund (in liquidation since 12 December 2022):	
Class F	Up to 0.25%

As described in the Prospectus, additional expenses charged to the Sub-Fund Melchior Global Equity Fund (in liquidation since 12 December 2022) were capped at 0.40% of the net assets.

The investment management fee is payable in arrears at the end of each month out of the assets of the Sub-Funds and calculated on the average of the net assets of the Sub-Funds as at each Valuation Day.

On both active share Classes C, trailer fees are calculated at each Valuation Day and payable quarterly from the Investment Management fees.

In addition, the relevant Investment Manager may designate an Investment Advisor or Sub-Investment Manager, who will be paid by the Investment Manager.

9. Performance Fee

The Investment Manager is entitled to a Performance Fee out of the assets of the Melchior European Absolute Return Fund. The Performance Fee shall be payable only when the following tests are met:

Performance Test

Firstly, a performance test must be met for the Performance Period just ended. The performance test will be met if the increase in the NAV per Share over a Performance Period (taking into account paragraph B (ii) if applicable) is greater than the return of a benchmark depending on the currency of the Share Class (SONIA for GBP Share Classes, €STR for EUR Share Classes, SOFAR for USD Share Classes, TONAR for JPY Share Classes, and SARON for CHF Share Classes) (the "Benchmark Return") over the same Performance Period.

Watermark Test

Secondly, a watermark test must be met which takes into account the performance of the Sub-Fund's overall Performance Periods before the Performance Period just ended (the "Prior Period"). The watermark test will be met if:

- the change in the NAV per Share over the Prior Period is greater than the Benchmark Return over the Prior Period; or
- if the NAV per Share has not increased more than the Benchmark Return in the Prior Period, the NAV per Share must increase in the Performance Period by an amount equal to that shortfall in the Prior Period before performance test can be met in accordance with paragraph A. above.

9. Performance Fee (continued)

High Watermark Test

Thirdly, a high watermark test must be met which takes into account the performance of the Sub-Fund since inception. The high watermark test will be met if the NAV per Share at the end of the Performance Period is equal to or greater than the highest NAV per Share as at the end of any previous Performance Period for that Share (or if there is no previous Performance Period, the NAV per Share on launch of the Share Class).

If the three tests are met, the Performance Fee shall be 10% of the amount by which the NAV per Share (before the deduction of Performance Fees) exceeds the Benchmark Return as at the end of a Performance Period (less any shortfall amount in accordance with paragraph B. (ii) above), multiplied by the number of Shares in issue in the Sub-Fund. In the case of the first Performance Period the initial subscription price per Share in a Sub-Fund shall be the base price for the purpose of calculating the performance over the Performance Period.

The Performance Fee shall be paid annually in EUR in arrears within 14 Business Days of the end of a Performance Period. If shares are redeemed on a date other than that on which a Performance Fee is paid while provision has been made for Performance Fees, the Performance Fee for which provision has been made and which are attributable to the shares redeemed (crystalised Performance Fee) will be paid at the same time as the Performance Fee even if provision for Performance Fees is no longer made at that date.

Where a Performance Fee is payable it will be based on the NAV per Share of the Sub-Fund as at the end of each Performance Period. As a result, a Performance Fee may be paid in respect of unrealised gains, which may subsequently never be realised.

The Performance Fees payable as at the year end date, if any, are disclosed in the Statement of Net Assets and the Performance Fees charged during the year, if any, are disclosed in the Statement of Operations and Changes in Net Assets.

During the year, Performance Fees were charged on Class I GBP Hedged Accumulation Shares for amount of EUR 28.51 (representing 0.00% of the share class NAV) and on Class H GBP Hedged Accumulation Shares for an amount of EUR 16.10 (representing 0.00% of the share class NAV).

The Performance Fee calculation will be verified by the auditor of the Fund.

There will be no cap on the Performance Fee.

If the Investment Management Agreement is terminated before 31 December in any year, the Performance Fee in relation to the Sub-Fund in respect of the then current Performance Period will be calculated and paid as though the date of termination were the end of the relevant Performance Period.

Notes to the Financial Statements continued

31 December 2022

10. Contingent Performance Fee

For the Sub-Fund Melchior European Absolute Return Fund:

An additional 10% Performance Fee (the "Contingent Performance Fee") which may become due to the Investment Manager is intended to ensure that part of the Investment Manager's return from the management of the Sub-Fund is contingent upon the continued performance of the Sub-Fund, to create an appropriate alignment with investors in the Sub-Fund, and that no entitlement to any such amount should arise for the Investment Manager until the end of the period of two years following the end of a relevant Performance Period (the "Additional Performance Period").

Accordingly, the Contingent Performance Fee payable to the Investment Manager at the end of each Additional Performance Period shall be computed as follows:

- if, at the end of the Performance Period, both the performance test and the watermark test set out above are met, an amount of the assets of the European Absolute Return Fund shall be set aside ("the Set Aside Amount") equal to 10% of the amount by which the NAV per Share (before the deduction of Performance Fees) exceeds the Benchmark Return as at the end of a Performance Period (less any shortfall amount in accordance with paragraph B, (ii) above), multiplied by the number of Shares in issue in the European Absolute Return Fund;
- the Set Aside Amount will be retained in the Sub-Fund (net of any crystallised tax charge in respect of the Investment Manager's or its employees' share of the Contingent Performance Fee), during the Additional Performance Period and will be exposed to the investment returns of the Sub-Fund during that Additional Performance Period; and
- at the end of the Additional Performance Period, the resulting Set Aside Amount (which may be less or more than the initial Set Aside Amount since it has been exposed to the investment returns of the Sub-Fund during the Additional Performance Period) will be paid out of the Sub-Fund to the Investment Manager in EUR in arrears within 14 Business Days of the end of the Additional Performance Period.

A 1.50% per annum investment management fee will be levied against the Sub-Fund assets representing the invested Set Aside

Amount until the Set Aside Amount is paid to the Investment Manager according to item 3 above.

The Contingent Performance Fee calculation is verified by the auditor of the Fund.

There will be no cap on the Contingent Performance Fee.

If the Investment Management Agreement is terminated before 31 December in any year, the Contingent Performance Fee in relation to the European Absolute Return Fund in respect of the then current Additional Performance Period will be calculated and paid as though the date of termination were the end of the relevant Additional Performance Period.

11. Management Company Fees

The Board of Directors has appointed Edmond de Rothschild Asset Management (Luxembourg) until 31 May 2022 as Management Company (the "Management Company") responsible, under the supervision of the Board of Directors, for the administration, management, and distribution of the Fund and its Sub-Funds pursuant to a Fund Management Company Agreement dated 4 October 2013 (the "Fund Management Company Agreement").

With effect from 1 June 2022, the Board of Directors has appointed ONE fund management S.A. as Management Company of the Fund ("Management Company") to perform investment management, administration, and marketing functions as described in Annex 2 of the 2010 Law pursuant to an agreement entered into between the Fund and the Management Company ("Fund Management Company Agreement") which may be terminated by a written prior notice given three months in advance by either party to the other.

The Management Company will receive from the Fund a fee (namely, the "Fund Management Fee") payable in arrears at the end of each calendar month, calculated and accrued on each Valuation Day at a rate per annum of 0.05% until 31 May 2022 and 0.03% since 1 June 2022 of the NAV of the Fund.

12. Depositary Bank

Edmond de Rothschild (Europe) has been appointed by the Fund until 31 May 2022, in accordance with the Depositary Bank Agreement dated 4 October 2013, as depositary bank of the Fund (the "Depositary Bank"). for: (i) the supervision/oversight (surveillance) of all assets of the Fund, including those that are not entrusted to, or kept in safe custody by, the Depositary Bank, as well as for (ii) the custody/safekeeping (conservation) of the assets of the Fund that are entrusted to, or kept in safe custody by, the Depositary Bank and the operations concerning the day-to-day administration of such assets.

The Fund has appointed Northern Trust Global Services SE, as depositary of its assets pursuant to a Depositary Bank Agreement from 1 June 2022.

The Depositary will, in accordance with the Luxembourg laws and the Depositary Bank Agreement:

i. ensure that the sale, issue, conversion, repurchase, redemption and cancellation of the shares of the Fund are carried out in accordance with Luxembourg laws and the Articles;

ii. ensure that the value of the shares of the Fund is calculated in accordance with Luxembourg laws and the Articles;

iii. carry out the instructions of the Fund and the Management Company, unless they conflict with Luxembourg laws or the Articles;

iv. ensure that in transactions involving the Fund's assets any consideration is remitted to the Fund within the usual time limits; and

v. ensure that the Fund's income is applied in accordance with Luxembourg laws and the Articles.

The Depositary fees will be paid directly by the Fund to either the Depositary or to the Administrator which will then be in charge to pay the Depositary. In addition to the abovementioned fees, the Depositary is entitled to any other fees for specific services and transactions as agreed from time to time between the Fund and the Depositary and disclosed in the agreements. The Depositary is further entitled to be reimbursed by the Fund for their respective reasonable out-of-pocket expenses properly incurred in carrying out their duties as such and for the charges of any correspondents.

Since 1 June 2022, for the provision of the service, the fees charged to the Fund by the Depositary, shall amount to a maximum of 0.12% per annum of the average net assets of the relevant Sub-Fund, subject to annual minimum fees of EUR 13,000 per Sub-Fund per annum for the Depositary. Such fees will be calculated quarterly on the basis of the average net assets of the Sub-Fund during the relevant quarter.

13. Domiciliary Agent

Edmond de Rothschild (Europe) has been appointed by the Fund until 31 May 2022, in accordance with the Depositary Bank Agreement, as domiciliary agent of the Fund (the "Domiciliary Agent"). Edmond de Rothschild (Europe) is a wholly-owned subsidiary of Edmond de Rothschild (Suisse) S.A. and carries out general banking activities in Luxembourg. It has been established for an unlimited period of time and its registered office is at 20, Boulevard Emmanuel Servais, L-2535 Luxembourg.

ONE corporate S.à r.l. has been appointed by the Fund from 1 June 2022, as domiciliary agent of the Fund (the "Domiciliary Agent").

The Domiciliation Agent will receive from the Fund a fee in accordance with the Domiciliation and Corporate Services agreement executed between the Fund and the Domiciliation Agent.

14. Transactions Fee

The total amount of transaction fees is included in the Statement of Operations and Changes in Net Assets and includes Depositary and Sub-Depositary fees, Correspondent's expenses and Brokerage fees.

15. Margin Deposits

Margin accounts are composed of EUR 931,100.05 serving as collateral for the commitments resulting from the options and contracts for difference detailed as follows:

- Melchior European Absolute Return Fund: EUR 996,689.18; USD (70,000.00)

Notes to the Financial Statements continued

31 December 2022

16. Collateral Held at Brokers

The total amount of cash collateral of each Sub-Fund as at 31 December 2022 is disclosed in the Statement of Net Assets of each Sub-Fund.

The amounts of cash are held as collateral by the counterparties of the futures, options and contracts for difference for the following Sub-Funds:

Melchior European Absolute Return Fund:

Counterparty	Ccy	Collateral Fund Ccy
Goldman Sachs	**EUR**	**1,000,000.00**

17. Directors Fees

Further to the Annual General Meeting held on 11 April 2022, the shareholders of the Fund have resolved to ratify the following Directors fees:

- Mr. Yves Kuhn: EUR 40,000 gross, per year, pro-rata temporis, to be paid in quarterly arrears.
- Mr. Geoffroy Linard de Guertechin: EUR 25,000 gross, per year, pro-rata temporis, to be paid in quarterly arrears.

18. Sales Charges

The Fund reserves the right to apply a sales charge of up to 5% of the NAV per Share on subscriptions.

19. Distribution Policy

The Fund may issue both Accumulation Shares and Dividend Shares as described in the section "The Shares" in the Prospectus. The policy of the Fund with respect to Accumulation Shares is to make no dividend distributions and to accumulate all net earnings within the relevant Share class and while for Dividend Shares is to pay dividends.

The Board of Directors will determine the distribution policy for each relevant class of Dividend Shares. For Melchior European Opportunities Fund, the Board of Directors decided that dividends will be distributed semi-annually with respect to the Dividend Shares.

As at 31 December 2022, no distributions were paid.

Payments of distributions to holders of registered shares shall be made to such shareholders at their address in the register of shareholders.

The Board of Directors may decide to distribute stock dividends in lieu of cash dividends upon such terms and conditions as may be set forth by the Board of Directors, and upon having obtained specific consent from the general meeting of shareholders.

The annual general meeting of shareholders may also decide on the payment of further dividends.

No interest shall be paid on a dividend declared by the Fund and kept by it at the disposal of its beneficiary.

In any event, no distribution may be made if, as a result, the NAV of the Fund would fall below EUR 1,250,000.

Any distribution that has not been claimed within five years of its declaration shall be forfeited and revert to the Sub-Fund relating to the relevant class or classes of shares.

20. Swing Price

The Board of Directors will apply the swing pricing mechanism to the Melchior European Opportunities Fund and the Melchior Global Equity Fund (in liquidation since 12 December 2022) as described herein. Sub-Funds may suffer dilution of the NAV per Shares due to investors buying or selling Shares at a price that does not take into account dealing and other costs arising when the Investment Manager makes or sells investments to accommodate cash inflows or outflows. To counteract this, a partial swing pricing mechanism will be adopted to protect shareholders' interests. If on the Valuation Day, the netted inflows and outflows in a Sub-Fund exceeds 5% of the previous NAV of such Sub-Fund, the NAV may be adjusted upwards or downwards to reflect net inflows and net outflows respectively.

No swing pricing was applied during the year.

As at 31 December 2022, no swing pricing was applied.

The Board adopts the following Swing Pricing Policy with effect from 30 April 2018 for the Sub-Funds:

- Melchior European Opportunities Fund
- Melchior Global Equity Fund (in liquidation since 12 December 2022)

If on the Valuation Day, the netted inflows and outflows in a Sub-Fund exceeds 5% of the previous NAV of such Sub-Fund, the NAV may be adjusted upwards or downwards to reflect net inflows and net outflows respectively.

- If the netting results in net outflows of more than 5% of the NAV of a Sub-Fund, the swing pricing mechanism shall apply regardless of the NAV of the Sub-Fund.
- If the netting results in net inflows of more than 5% of the NAV of a Sub-Fund, the swing pricing mechanism shall only apply in case the total NAV of the Sub-Fund exceed EUR 100 million (or its equivalent in another currency).

The extent of the price adjustment will be set by the Board of Directors, or via a delegation, by the Investment Manager concerned, to reflect dealing and other costs. Such adjustment is not expected to exceed 1% of the original NAV per Share.

21. Dilution Levy

To the extent that the Board of Directors considers that it is in the best interests of the Fund, the Board of Directors will apply such dilution levy if on the Valuation Day, the netted inflows and outflows in a Sub-Fund exceed 5% of the previous NAV of such Sub-Fund.

- If the netting results in net outflows of more than 5%, the dilution levy shall apply regardless of the NAV of the Sub-Fund.
- If the netting results in net inflows of more than 5% of the NAV of a Sub-Fund, the dilution levy shall only apply in case the total NAV of the Sub-Fund exceed EUR 100 million (or its equivalent in another currency).

The dilution levy policy will be defined by the Board of Directors, but the extent of the dilution levy will be set either by the Board of Directors, or, via a delegation, by the Investment Manager concerned. The dilution levy to be applied by the Board of Directors is not expected to exceed 1% of the NAV per Share. The dilution levy will apply to the Melchior European Absolute Return Fund.

22. Changes in the Investment Portfolio

A copy of the changes in the investment portfolio for the year ended 31 December 2022 is available free of charge at the registered office of the Fund.

Notes to the Financial Statements continued

31 December 2022

23. Significant events during the Financial Year

The Board of Directors resolved to put Melchior Global Equity into liquidation as from 12 December 2022. As at 31 December 2022, the Sub-Fund holds a remaining cash balance amounting to GBP 6,067.09. All due amounts and/or invoices have not yet been issued and/or received however accrued for. Northern Trust Global Services SE shall proceed with the payment of the last due amounts and/or invoices upon receipt before proceeding with the closure of the accounts.

As at 31 December 2022, the following securities are still at the former Depositary Bank, Edmond de Rothschild (Europe) is:

Sub-Fund	Qty	Security	Market Value EUR
Melchior Asian Opportunities Fund	300,000	BEST WORLD INTERNATIONAL	0.00
Melchior Global Multi Asset	42,000	SECURITY BANK CORP – PFD SHS	0.00

There remain two illiquid securities positions for liquidated sub funds on the accounts with the former Depositary Bank. Both assets are valued at zero.

These holdings remained on the former Depositary Bank's accounts as of 31 December 2022 solely for below technical reasons:

Melchior Asian Opportunities Fund – Best World International – these illiquid securities had been suspended on the Singapore stock exchange since 10 May 2019 and were abandoned by the sub-fund to CACEIS Bank, Luxembourg Branch as of 5 May 2021. The processing of this transfer has not yet been completed by the Singapore sub-custodian.

Melchior Global Multi Asset Fund – Security Bank Corp – Pfd Shs – these illiquid securities were subject to an OTC sale as of 31 August 2020. The settlement of this sale has not been completed as the current shareholding must be transformed into a physical certificate for which capital gains certification from a Philippines tax advisor is a pre-requisite.

Cash balances on Transfer Agency escrow accounts

Some of the redemption proceeds in cash are held off balance sheet on Transfer Agency escrow accounts, for the sub-funds in liquidation namely Melchior Asian Opportunities Fund, Melchior Japan Advantage Fund, Melchior European Enhanced Absolute Return Fund and Melchior Global Multi Asset Fund.

As of 31 December 2022, the transfer of the illiquid securities and the pending payment from the escrow accounts are the reasons for which the liquidation of the aforementioned sub-funds has not yet been completed. It is anticipated that the legal ownership of the illiquid securities will be transferred to the Edmond de Rothschild (Europe) so that the Fund will have no further claim to any future value of those assets and that once the escrow accounts held on behalf of investors in the liquidated sub-funds have been paid out, the Melchior Asian Opportunities Fund, Melchior Japan Advantage Fund, Melchior Global Multi-Asset Fund and Melchior European Enhanced Absolute Return Fund will be fully liquidated.

24. Contracts for Difference

As of 31 December 2022, the Sub-Fund Melchior European Absolute Return Fund has entered into contracts for difference ("CFD") with Goldman Sachs and UBS.

As at 31 December 2022, the aggregate amount of commitments relating to long positions amounts to EUR 5,589,525.57 with a net unrealised appreciation (depreciation) of EUR (76,364.44).

The aggregate amount of commitments relating to short positions amounts to EUR (5,913,492.32) with a net unrealised appreciation (depreciation) of EUR 43,029.82.

The details of the CFDs are included on pages 49-51 of the report.

	Number of CFD contracts	
Underlying description	**Long**	**Short**
Aalberts NV	2,111.00	
AIXTRON SE	6,085.00	
Alstom SA		(14,705.00)
ASML Holding NV	584.00	
ASR Nederland NV	4,368.00	
Capgemini SE	1,002.00	
CFD SCXP		(3,115.00)
Corticeira Amorim SGPS SA	21,984.00	
CRH PLC	2,800.00	
De' Longhi SpA		(15,219.00)
Diageo PLC	3,817.00	
DJS MID 200 EUR MCXP		(2,031.00)
Electrolux AB		(24,417.00)
Erste Group Bank AG	3,706.00	
Ferguson PLC	864.00	
FinecoBank Banca Fineco SpA	8,967.00	
Fluidra SA	1,026.00	
Games Workshop Group PLC	1,347.00	
Grafton Group PLC	10,199.00	
Hexagon AB		(4,016.00)
Howden Joinery Group PLC	18,217.00	
Husqvarna AB		(33,653.00)
Inficon Holding AG	104.00	
Inmobiliaria Colonial Socimi SA	12,894.00	
Interpump Group SpA	3,373.00	
JD Sports Fashion PLC	111,523.00	
Jet2 PLC	13,798.00	
Laboratorios Farmaceuticos Rovi SA	3,279.00	
Logitech International SA		(6,254.00)
Lonza Group AG	280.00	
LVMH Moet Hennessy Louis Vuitton SE	268.00	

Notes to the Financial Statements continued

31 December 2022

24. Contracts for Difference continued

	Number of CFD contracts	
Underlying description	**Long**	**Short**
Maire Tecnimont SpA		(42,248.00)
Melexis NV		(3,973.00)
Merck KGaA	1,874.00	
Mips AB		(11,062.00)
Moncler SpA	2,074.00	
Nestle SA	2,796.00	
Nordex SE		(27,934.00)
Oxford Instruments PLC	277.00	
QT Group Oyj		(3,584.00)
Relx PLC	7,388.00	
Renishaw PLC	1,279.00	
Rightmove PLC	37,207.00	
Robertet SA	347.00	
Sanoma Oyj	6,434.00	
Scout24 SE	8,644.00	
SMA Solar Technology AG		(3,296.00)
Stabilus SE	1,653.00	
Stadler Rail AG		(8,708.00)
Thule Group AB		(6,229.00)
Truecaller AB		(54,618.00)
Vestas Wind Systems A/S		(9,674.00)
Vivendi SE	34,308.00	
Volution Group PLC	31,437.00	

25. Options

As at 31 December 2022, the following options contract(s) was (were) outstanding:

Melchior Selected Trust – Melchior European Absolute Return Fund

Number of contracts	Description	Commitment EUR	Counterparty	Market Value	% of Net Assets
67	Euro STOXX 50 Option Purchased Put Option strike price EUR 3,700 expiring 20/01/2023	2,479,000.00	Goldman Sachs	24,991.00	0.31
	Total Options at Market Value			**24,991.00**	**0.31**

26. Forward Foreign Exchange Contracts on Currencies

The contracts market with a * are those specifically related to Share Class Hedging.

As at 31 December 2022, the following forward foreign exchange contract(s) on currencies was (were) outstanding:

Melchior Selected Trust – Melchior European Absolute Return Fund

	Sale		Purchase	Maturity	Unrealised in EUR	Counterparties
GBP	2,692.10	EUR	3,056.87	31 March 2023	33.73*	Northern Trust
EUR	696.61	JPY	96,820.00	31 March 2023	(5.17)*	Northern Trust
GBP	200.00	EUR	226.17	31 March 2023	1.58*	Northern Trust
EUR	2,749,452.50	GBP	2,420,068.09	31 March 2023	(31,791.02)*	Northern Trust
EUR	4,155,050.35	GBP	3,657,275.32	31 March 2023	(48,043.48)*	Northern Trust
EUR	11.72	JPY	1,629.00	31 March 2023	(0.09)*	Northern Trust
EUR	170,415.81	GBP	150,000.00	31 March 2023	(1,970.46)*	Northern Trust
EUR	1,321.96	GBP	1,163.59	31 March 2023	(15.28)*	Northern Trust
EUR	0.02	GBP	0.02	31 March 2023	–*	Northern Trust
GBP	8.43	EUR	9.57	31 March 2023	0.10*	Northern Trust
EUR	0.10	GBP	0.09	31 March 2023	–*	Northern Trust
EUR	17.13	GBP	15.22	31 March 2023	(0.04)*	Northern Trust
EUR	3,128.61	GBP	2,753.80	31 March 2023	(36.18)*	Northern Trust
EUR	917.75	GBP	807.80	31 March 2023	(10.62)*	Northern Trust
GBP	15.22	EUR	17.20	5 January 2023	0.05*	Northern Trust
					(81,836.88)	

Annex

MELCHIOR SELECTED TRUST
General Information (continued)
SFDR (Sustainable Finance Disclosure Regulation) (unaudited) (continued)

Periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: Melchior Selected Trust - Melchior European Opportunities Fund (the "Sub-Fund")
Legal entity identifier: 549300DUHA7ST16HD406

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?

☐ **Yes**	☒ **No**
☐ It made **sustainable investments with an environmental objective:** ___%	☐ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of ___% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It made **sustainable investments with a social objective:** ___%	☒ It promoted E/S characteristics, but **did not make any sustainable investments**

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

To what extent were the environmental and/or social characteristics promoted by this financial product met?

The Investment Manager believes that long-term value creation for shareholders is closely aligned with investment in companies that consider social and environmental characteristics, such as a company's impact on its customers, suppliers, employees, the wider community and the environment. The Investment Manager sought to invest in companies with good governance practices and excluded from the portfolio companies which, in its view, were detrimental to society and/or the environment.

MELCHIOR SELECTED TRUST
General Information (continued)
SFDR (Sustainable Finance Disclosure Regulation) (unaudited) (continued)

How did the sustainability indicators perform?

The Investment Manager applied an exclusions based approach to attain the environmental and social characteristics promoted by the Sub-Fund.

The Investment Manager measured the Sub-Fund's attainment of its characteristics by excluding companies that are classified by the Investment Manager as being detrimental to the environment and/or society. The Investment Manager classified a company as being involved in detrimental activities where the company's business activities had any exposure to controversial or nuclear weapons or any company whose business activities involved the following products and services to the extent that the product or service accounts for more than 5% of the relevant company's revenue:

- provision or delivery of adult entertainment;
- production and distribution of palm oil;
- provision of predatory lending;
- extraction and production of thermal coal or the generation of power from thermal coal;
- manufacture, distribution and sale of all tobacco;
- provision of unregulated gambling; and
- production of nuclear energy.

The Investment Manager also excluded from the Sub-Fund companies based on other criteria such as involvement in environmental damage, corruption, human rights issues, controversial labour practices, or any other perceived violations of United Nations Global Compact principles and norms.

During the reference period there was no update to the exclusions criteria.

Over the reference period, 100% of investee companies passed the exclusion criteria. As such, an average of 94.3% of investments of the Sub-Fund were aligned with the environmental or social characteristics promoted by the Sub-Fund.[1]

…and compared to previous periods?

During the previous reference period of 2021, 0% of investee companies over the reference period failed the exclusion criteria.

For the avoidance of doubt, neither the Fund's sustainability indicators nor the Fund's performance on those indicators are subject to assurance by an auditor or review by a third party.

What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?

[1] Figure shows the percentage of the Fund's assets, including cash, on a portfolio weighted basis, aligned with the Fund's characteristics. The average is calculated as a simple average of the Fund's quarterly portfolio weighted alignment as at each calendar quarter end (i.e. 31 March, 30 June, 30 September and 31 December).

Annex continued

MELCHIOR SELECTED TRUST
General Information (continued)
SFDR (Sustainable Finance Disclosure Regulation) (unaudited) (continued)

Not applicable as the Sub-Fund does not invest in Sustainable Investments as defined under Article 2 (17) of the SFDR.

- ***How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?***

  Not applicable as the Sub-Fund does not invest in Sustainable Investments as defined under Article 2 (17) of the SFDR.

  How were the indicators for adverse impacts on sustainability factors taken into account?

  Not applicable as the Sub-Fund does not invest in Sustainable Investments as defined under Article 2 (17) of the SFDR.

  Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

  Not applicable as the Sub-Fund does not invest in Sustainable Investments as defined under Article 2 (17) of the SFDR.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

How did this financial product consider principal adverse impacts on sustainability factors?

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

The Sub-Fund has been actively considering principal adverse impacts as of December 2022 and considers them in the way described below. The Investment Manager has developed data capabilities in this time to incorporate principal adverse impacts into its analysis as detailed below. The Investment Manager anticipates that more examples of how principal adverse impacts have been considered will be disclosed in future reference periods.

When assessing a company's impact on the environment, the Investment Manager considered greenhouse gas emissions, including, but not limited to, indicators such as absolute emissions, carbon footprint, emissions intensity and carbon reduction initiatives.

MELCHIOR SELECTED TRUST

General Information (continued)

SFDR (Sustainable Finance Disclosure Regulation) (unaudited) (continued)

Revenues of investee companies attributed to the fossil fuel sector were considered by the Investment Manager. The Investment manager excluded companies from the Fund which derive more than 5% of their revenues from the extraction and production of thermal coal, and/or companies that generate power from thermal coal.

The Investment Manager considered the board diversity of investee companies, where deemed appropriate, used its tools of active ownership to encourage better diversity practices. Given that consideration of PAIs started in December 2022, the Investment Manager will look to engage further with investee companies on these during 2023.

The Investment Manager considered the standards of the United Nations Global Compact, and the Organisation for Economic Co-Operation and Development's Guidelines for Multinational Enterprises. If a company was involved in severe controversies or norms violations, the Investment Manager assessed the severity of the incident and decided the appropriate action of whether to monitor, enter enhanced engagement, or divest from the company. During the reference period, no companies were deemed to be in violation of the standards of the United Nations Global Compact, and the Organisation for Economic Co-Operation and Development's Guidelines for Multinational Enterprises.

The Investment Manager excluded from the Sub-Fund any company involved in the manufacture and sale of controversial weapons such as cluster munitions and anti-personnel mines.

While the Fund considers principal adverse impacts on sustainability factors primarily at company level, the below table highlights the portfolio performance of selected PAI indicators compared to the Fund's benchmark.

Annex continued

MELCHIOR SELECTED TRUST
General Information (continued)
SFDR (Sustainable Finance Disclosure Regulation) (unaudited) (continued)

Indicator[2]		Fund	Fund Coverage	Benchmark	Benchmark Coverage	Relative %[3]
GHG Emissions (TCO2e)	Scope 1	28,935	92.0%	59,594	99.6%	-51%
	Scope 2	9,042	92.0%	10,531	99.6%	-14%
	Scope 1 & 2	37,976	92.0%	70,126	99.6%	-46%
Carbon Footprint (TCO2e/ €m Invested)	Scope 1 & 2	47.68	90.9%	93.16	99.6%	-49%
GHG Intensity (TCO2e / Revenue)	Scope 1 & 2	97.42	92.0%	124.07	100.0%	-21%
Female Board Representation (%)		38.6%	92.0%	40.0%	100.0%	-4%

[2] Source: MSCI ESG Ratings and Climate Change Metrics: GHG emissions, GHG emissions footprint and GHG intensity, and board gender diversity data as of 31 December 2022. Benchmark: MSCI Europe Net Total Return Index. Allocated emissions of investee companies is calculated using the companies Enterprise Value Including Cash. Scope 1 and 2 GHG emissions representative of the Fund's AUM of €848.3m as of 31 December 2022. Fund and benchmark metrics have been grossed to 100% where coverage is not equal to 100% to provide a representative estimation of all portfolio investments emissions and for comparative purposes. Please note figures are provided for comparative and illustrative purposes only and should not be relied upon. Figures have not been independently audited by Polar Capital and may be subject to quality, timing, consistency, availability and calculation issues. Data may be limited or distorted due to a lack of sustainability related regulations and reporting standards in the countries where investee companies are domiciled, the inconsistency of those regulations and reporting standards where applicable, or by companies' interpretations of those regulations and reporting standards or, in the case of GHG metrics, subject to adjustment as a result of changes in calculation methodology or improved data availability.

[3] Figures shown demonstrate the difference in performance of the Fund and Benchmark on each metric based on 100% data coverage (whether achieved or estimated).

MELCHIOR SELECTED TRUST
General Information (continued)
SFDR (Sustainable Finance Disclosure Regulation) (unaudited) (continued)

What were the top investments of this financial product?

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 31 December 2022

Largest investments[4]	Sector	% Assets	Country
Merck KGaA	Health Care	4.55	Germany
ASR Nederland NV	Insurance	3.69	Netherlands
ASML Holding NV	Tech Hardware	3.66	Netherlands
Roche Holding AG	Health Care	3.42	Switzerland
FinecoBank Banca	Banking	3.28	Italy
Nestle SA	Consumer Staple Products	2.95	Switzerland
Kongsberg Gruppen	Industrial Products	2.55	Norway
Cie Financiere	Consumer Discretionary	2.37	Switzerland
Robertet SA	Materials	2.34	France
Capgemini SE	Software & Tech Services	2.19	France
Reckitt Benckiser Group PLC	Consumer Staple Products	2.12	United Kingdom
Ferguson PLC	Industrial Services	1.98	Jersey
Diageo PLC	Consumer Staple Products	1.97	United Kingdom
Stabilus SE	Industrial Products	1.86	Germany
Games Workshop Group PLC	Consumer Discretionary Products	1.78	United Kingdom

What was the proportion of sustainability-related investments?

What was the asset allocation?

Asset allocation describes the share of investments in specific assets.

100% of equity holdings, excluding ancillary liquid assets and cash equivalents, were aligned with the promoted Sub-Fund's environmental and social characteristics as they all pass the exclusion criteria.

During the reference period, an average of 94.3% of investments of the Sub-Fund were aligned with the environmental or social characteristics promoted by the Sub-Fund (#1 E/S characteristics).[5]

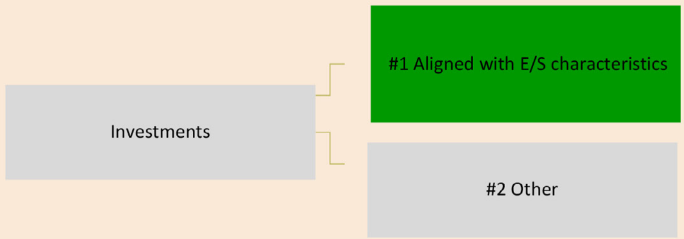
[4] Figure shows the top 15 largest holdings, excluding cash, as at 31 December 2022.

[5] Figure shows the percentage of the Fund's assets, including cash, on a portfolio weighted basis, aligned with the Fund's characteristics. The average is calculated as a simple average of the Fund's quarterly portfolio weighted alignment as at each calendar quarter end (i.e. 31 March, 30 June, 30 September and 31 December).

Annex continued

MELCHIOR SELECTED TRUST
General Information (continued)
SFDR (Sustainable Finance Disclosure Regulation) (unaudited) (continued)

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflects the "greenness" of investee companies today.
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.
- **operational expenditure** (OpEx) reflects the green operational activities of investee companies.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

In which economic sectors were the investments made?

Economic Sector	% Assets[6]
Health Care	12.44
Industrial Products	11.88
Consumer Staple Products	11.32
Materials	10.72
Consumer Discretionary Products	8.62
Industrial Services	8.16
Banking	7.90
Tech Hardware & Semiconductors	5.98
Insurance	4.10
Financial Services	3.77
Retail & Wholesale - Discretionary	3.53
Media	2.56
Software & Tech Services	2.19
Oil & Gas	1.63
Real Estate	0.26

The Sub-Fund does not invest in companies whose business activity involved the extraction and production of thermal coal or the generation of power from thermal coal for more than 5% of the relevant company's revenue.

The Sub-Fund held two companies with exposure to the fossil fuel industry during the reference period.

Schoeller Bleckmann Oilfield Equipment AG is an Austria-based company engaged in the industrial manufacturing of components and parts for the oil and gas industry. The

[6] Figure shows the percentage of the Fund's assets within each economic sector as at 31 December 2022

MELCHIOR SELECTED TRUST

General Information (continued)

SFDR (Sustainable Finance Disclosure Regulation) (unaudited) (continued)

company's activities are structured into two divisions: (i) the high-precision components division, which covers applications in the Measurement While Drilling/Logging While Drilling (MWD/LWD) technology sector; collars and internals made of alloyed steel and other non-magnetic metals, and (ii) the oilfield supplies and services division, which comprises a range of products, including Non-Magnetic Drill Collars (NMDC), steel bars, which are used to prevent magnetic interference during MWD Operations; drilling motors, which drive the bit for directional drilling operations; circulation tools steer the flow direction of drilling muds in the drill string and various other tools for the oilfield. The company has set reduction targets around its own carbon emissions and is aiming to diversify its business into the aerospace, geothermal and industrial sectors.

Viscofan SA is a Spain-based company engaged in the packaging industry, mainly for meat products. The company focuses on the manufacture and distribution of artificial castings, as well as plastic films that are used for separation of sliced food. Its products range includes cellulose, collagen, fibrous and plastic castings. In addition, it designs and produces packing machinery, as well as provides related spare parts. The company also sells electric power, which is produced by cogeneration systems. The cogeneration engines are powered with a mixture of hydrogen and natural gas. Co-generation accounted for 7.8% of Viscofan's sales in 2022, up from 4.6% in 2021 (due to higher energy prices in the last year).

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

Did the financial product invest in fossil gas and / or nuclear energy related activities that comply with the EU Taxonomy[7]?

☐ **Yes:**

☐ In fossil gas ☐ In nuclear energy

☒ **No**

While this Sub-Fund promotes environmental or social characteristics within the meaning of Article 8 of the SFDR, it does not currently commit to investing in any "Sustainable Investments" within the meaning of the SFDR or the Taxonomy Regulation.

Therefore, 0% of investments were sustainable investments with an environmental objective aligned with the EU Taxonomy.

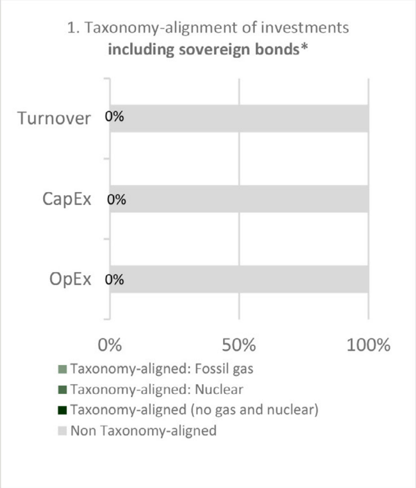
[7] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanation note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

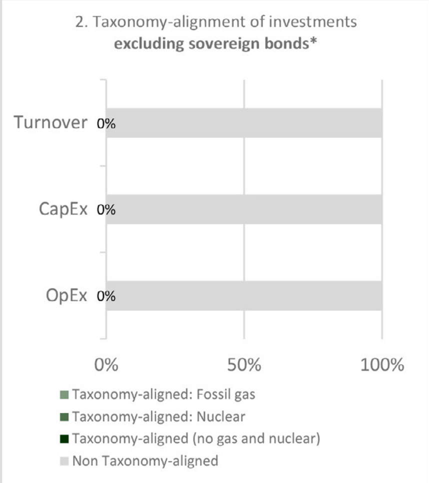
Annex continued

MELCHIOR SELECTED TRUST
General Information (continued)
SFDR (Sustainable Finance Disclosure Regulation) (unaudited) (continued)

Accordingly, it should be noted that this Sub-Fund does not consider the EU criteria for Environmentally Sustainable Economic Activities within the meaning of the Taxonomy Regulation and its portfolio alignment with such Taxonomy Regulation is 0%. Therefore, the "do not significant harm" principle does not apply to any of the investments of this Sub-Fund.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.





This graph represents 100% of the total investments.

For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

What was the share of investments made in transitional and enabling activities?

The Sub-Fund promotes environmental and social characteristics but does not commit to making any Sustainable Investments. As a consequence, the Sub-Fund does not commit to a minimum extent of Sustainable Investments with an environmental objective aligned with the EU Taxonomy, neither to a minimum share of investments in transitional and enabling activities.

How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?

The Sub-Fund promotes environmental and social characteristics but does not commit to making any Sustainable Investments. As a consequence, the Sub-Fund does not commit to a minimum extent of Sustainable Investments with an environmental objective aligned with the EU Taxonomy.

MELCHIOR SELECTED TRUST

General Information (continued)

SFDR (Sustainable Finance Disclosure Regulation) (unaudited) (continued)

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.

What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

The Sub-Fund promotes environmental and social characteristics but does not commit to making any Sustainable Investments. As a consequence, the Sub-Fund does not commit to a minimum extent of Sustainable Investments with an environmental objective aligned with the EU Taxonomy.

What was the share of socially sustainable investments?

Not applicable as the Sub-Fund does not invest in Sustainable Investments as defined under Article 2 (17) of the SFDR.

What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?

During the reference period, an average of 5.7%[8] of the Sub-Fund was held in cash for liquidity purposes where there are no minimum environmental or social safeguards applicable to these investments.

What actions have been taken to meet the environmental and/or social characteristics during the reference period?

The environmental and social characteristics of companies are a key part of the Sub-Fund’s research and investment process. Any new investment that the Investment Manager is considering will include a detailed review of the environmental and social impact of the company, as well as of the governance structure.

The Investment Manager will only make an investment if it is satisfied that company does not violate the environmental and social characteristics of the Sub-Fund and that the level of management oversight within the company is sufficient. In instances where the company did violate the Sub-Fund’s characteristics or the level of management oversight was not adequate, the Sub-Fund did not make an investment.

The Investment Manger monitors the environmental and social impact of all of the Sub-Fund’s investments on an ongoing basis. The Investment Manager believes in working constructively with the Sub-Fund’s investee companies to ensure continued progress on environmental and social matters. In the event that a company is not making the required progress, or is involved in any environmental or social controversy, the Investment Manager will endeavour to raise this with the management team and discuss the strategy and actions of the management to improve or resolve this.

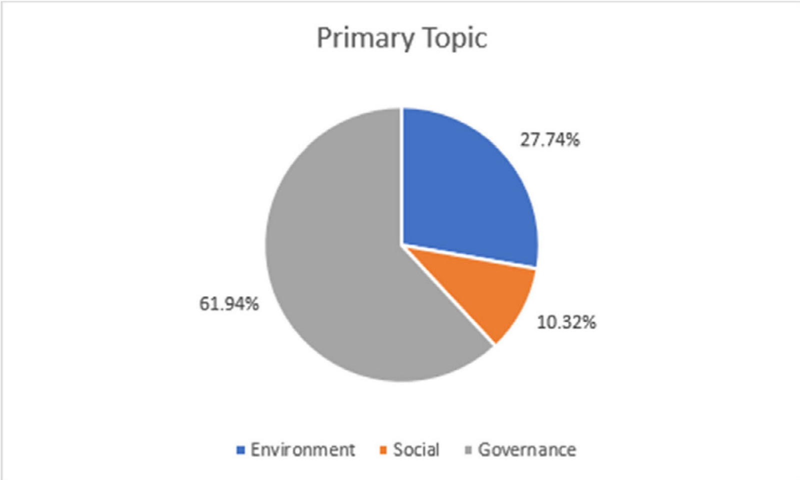
Engagement with investee companies and prospective investments is a critical part of the investment process. During 2022, the Investment Manager undertook 155 engagements with companies where ESG issues were discussed, either in the context of a more general

[8] The Sub-Fund’s average cash level over the reference period is calculated by taking a simple average of each calendar quarter end (31 March 2022, 30 June 2022, 30 September 2022 and 31 December 2022) cash percentage.

Annex continued

MELCHIOR SELECTED TRUST
General Information (continued)
SFDR (Sustainable Finance Disclosure Regulation) (unaudited) (continued)

meeting (126 engagements) or specifically ESG-focussed (29 engagements). The below graph summarises the breakdown of the broad ESG topics covered during these.



Over 27% of the engagements in 2022 concerned environmental matters, while 10% concerned social issues. In most cases, this did not concern a major omission or controversy, but rather regarding the publication of more detailed environmental and social targets and improved disclosure generally in this field. For instance, the Investment Manager engaged with an industrial and automotive supplier to introduce more detailed, quantifiable environmental and social disclosure and targets, which management has committed to do in its next annual report.

The need for companies to reduce their CO2 emissions and use more renewable sources of energy acquired even greater urgency in 2022 following the outbreak of war in the Ukraine and the deliberate disruption by Russia of its gas supplies to Europe. This was an important topic in engagements with the Sub-Fund's companies and the Investment Manager encouraged management teams of investee companies affected to accelerate their investments to diversify their energy supply into cleaner renewable alternatives. Many of the Sub-Fund's companies are making tangible progress here. For instance, one of the Sub-Fund's German investee companies succeeded in reducing their gas usage in Germany by 60% through substitution and efficiencies, without reducing production.

Further, a long-term investment in a Nordic brewer and beverage group will be carbon neutral in Finland in 2023 after completing a new biogas plant that will generate biogas from spent grain. Investments in a solar park and heat pumps on land at its major plant in Denmark will enable the same company to reduce their gas consumption in Denmark by 30% in 2023 and their electricity demand from the Danish grid by 40% in 2023.

Energy efficiency remains an important theme within the portfolio and during the past 12 months, the Fund made a new investment in the German leader in external insulation systems for buildings, as well as a leading industrial gas company whose products are critical in making industrial processes more energy efficient and which the Investment

MELCHIOR SELECTED TRUST

General Information (continued)

SFDR (Sustainable Finance Disclosure Regulation) (unaudited) (continued)

Manager also sees a key enabler of the development of carbon capture and hydrogen technologies.

In other cases, the engagements were of a more strategic nature. For example, the Investment Manager engaged on multiple occasions with an investee company operating in the oil services sector regarding the diversification of its business into renewable energy and the potential application of its technology to greener fuels such as hydrogen. This strategic shift will not happen overnight, but the Investment Manager's assessment is that company management has recognised the importance of this and will commit significant capital towards this.

The vast majority of the Investment Manager's engagements were constructive, with management teams increasingly recognising the importance of both the environmental and social impact of their business and tangible measures to improve this. However, in the rare instances where the Investment Manager considers the response of the management team to be inadequate, it is the policy of the Investment Manager to take action either by voting against proposals or, if other avenues are exhausted, by divesting from the Sub-Fund's investment in the company.

In the course of 2022, the Investment Manager voted against the management of a Dutch producer of leisure and sporting equipment for failing to take into account adequately the views of shareholders and stakeholders regarding the proposed acquisition of the company by a consortium.

The Sub-Fund also divested its holding in a European maritime transportation company after repeated engagements with the management to improve the governance structure and environmental impact of the business were rebuffed. The Investment Manager reached the conclusion that management was paying lip service to its suggestions, in particular regarding the re-appointment of the longstanding chairman and the structure of the board, and that there was little prospect of meaningful change.

Furthermore, although the Investment Manager had engaged with the company for some time to reduce the environmental impact of its fleet, it reached the conclusion that the company would not be able to achieve a meaningful reduction in the fleet's emissions using viable technology.

Annex continued

MELCHIOR SELECTED TRUST
General Information (continued)
SFDR (Sustainable Finance Disclosure Regulation) (unaudited) (continued)

How did this financial product perform compared to the reference benchmark?

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

- ***How does the reference benchmark differ from a broad market index?***

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

- ***How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?***

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

- ***How did this financial product perform compared with the reference benchmark?***

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

- ***How did this financial product perform compared with the broad market index?***

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

MELCHIOR SELECTED TRUST

General Information (continued)

SFDR (Sustainable Finance Disclosure Regulation) (unaudited) (continued)

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: Melchior Selected Trust - Melchior European Absolute Return Fund
Legal entity identifier: 549300YJQTLHX02YJP47

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?

☐ **Yes**	☒ **No**
☐ It made **sustainable investments with an environmental objective:** ___%	☐ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of ___% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It made **sustainable investments with a social objective:** ___%	☒ It promoted E/S characteristics, but **did not make any sustainable investments**

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

To what extent were the environmental and/or social characteristics promoted by this financial product met?

The Investment Manager believes that long-term value creation for shareholders is closely aligned with investment in companies that consider social and environmental characteristics, such as a company's impact on its customers, suppliers, employees, the wider community and the environment. The Investment Manager sought to invest in companies with good governance practices and excluded from the long portfolio companies which, in its view, were detrimental to society and/or the environment.

- ***How did the sustainability indicators perform?***

  The Investment Manager applied an exclusions based approach to measure the attainment of the environmental and social characteristics promoted by the Sub-

Annex continued

MELCHIOR SELECTED TRUST
General Information (continued)
SFDR (Sustainable Finance Disclosure Regulation) (unaudited) (continued)

Fund. The Investment Manager ensured that the Sub-Fund's long book exposure to companies, defined by the Investment Manager as being detrimental to the environment and/or society, remained at 0% at all times.

The Investment Manager measured the Sub-Fund's attainment of its characteristics by excluding companies from the long book that are classified by the Investment Manager as being detrimental to the environment and/or society. The Investment Manager classified a company as being involved in detrimental activities where the company's business activities had any exposure to controversial or nuclear weapons or any company whose business activities involved the following products and services to the extent that the product or service accounts for more than 5% of the relevant company's revenue:

- provision or delivery of adult entertainment;
- production and distribution of palm oil;
- provision of predatory lending;
- extraction and production of thermal coal or the generation of power from thermal coal;
- manufacture and distribution of all tobacco; and
- provision of unregulated gambling.

The Investment Manager also excluded from the Sub-Fund companies based on other criteria such as involvement in environmental damage, corruption, human rights issues, controversial labour practices, or any other perceived violations of United Nations Global Compact principles and norms.

During the reference period there was no update to the exclusions criteria.

Over the reference period, 0% of investee companies failed the exclusion criteria.

…and compared to previous periods?

During the previous reference period of 2021, 0% of investee companies over the reference period failed the exclusion criteria.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?

Not applicable as the Sub-Fund does not invest in Sustainable Investments as defined under Article 2 (17) of the SFDR.

How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?

Not applicable as the Sub-Fund does not invest in Sustainable Investments as defined under Article 2 (17) of the SFDR.

MELCHIOR SELECTED TRUST
General Information (continued)
SFDR (Sustainable Finance Disclosure Regulation) (unaudited) (continued)

How were the indicators for adverse impacts on sustainability factors taken into account?

Not applicable as the Sub-Fund does not invest in Sustainable Investments as defined under Article 2 (17) of the SFDR.

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

Not applicable as the Sub-Fund does not invest in Sustainable Investments as defined under Article 2 (17) of the SFDR.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

How did this financial product consider principal adverse impacts on sustainability factors?

The financial Product did not consider principal adverse impacts on sustainability factors during the reference period.

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 31 December 2022

Annex continued

MELCHIOR SELECTED TRUST
General Information (continued)
SFDR (Sustainable Finance Disclosure Regulation) (unaudited) (continued)

What were the top investments of this financial product?

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 31 December 2022

Largest investments[1]	Sector	% Assets	Country
CFD Scout24 SE	Internet	4.7368	Germany
CFD Merck KGaA	Pharmaceuticals	3.9584	Germany
CFD Vivendi SE	Media	3.5709	France
CFD Nestle SA	Food	3.5437	Switzerland
CFD ASML Holding NV	Semiconductors	3.4355	Netherlands
CFD Robertet SA	Chemicals	3.3913	France
CFD Rightmove PLC	Internet	2.5052	United Kingdom
CFD ASR Nederland NV	Insurance	2.2620	Netherlands
CFD Corticeira Amorim SGPS SA	Packaging&Containers	2.2384	Portugal
CFD RELX PLC	Commercial Services	2.2255	United Kingdom
CFD LVMH Moet Hennessy Louis Vuitton SE	Apparel	2.1276	France
CFD AIXTRON SE	Semiconductors	1.9163	Germany
CFD JD Sports Fashion PLC	Retail	1.8523	United Kingdom
CFD Diageo PLC	Beverages	1.8343	United Kingdom
CFD Capgemini SE	Computers	1.8246	France

What was the proportion of sustainability-related investments?

Asset allocation describes the share of investments in specific assets.

What was the asset allocation?

100% of long single equity, both physical and synthetic, excluding ancillary liquid assets and cash equivalents were aligned with the promoted Sub-Fund’s environmental and social characteristics as they all pass the exclusion criteria.

During the reference period, the Fund averaged 100% in long investments in companies that were aligned with the environmental or social characteristics promoted by the Sub-Fund (#1 E/S characteristics).

For reference purposes, the below table highlights the average long/short exposure of the Fund over the reference period[2].

Exposure	long	short	gross	net
2022	66.3%	-69.2%	135.5%	-2.9%

[1] Figure shows the top 15 largest long equity holdings, excluding cash, as at 31 December 2022.

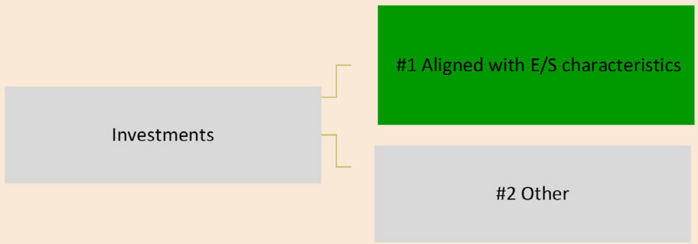
[2] Data shows the average exposure of the Fund calculated on a daily basis over the reference period.

MELCHIOR SELECTED TRUST
General Information (continued)
SFDR (Sustainable Finance Disclosure Regulation) (unaudited) (continued)

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

In which economic sectors were the investments made?

Economic Sector	% Assets[3]
Commercial Services	2.23
Food	3.54
Computers	1.82
Semiconductors	5.35
Retail	1.85
Pharmaceuticals	3.96
Packaging&Containers	2.24
Internet	7.24
Beverages	1.83
Apparel	2.13
Insurance	2.26
Chemicals	3.39
Media	3.57

The Sub-Fund does not invest in companies whose business activity involved the extraction and production of thermal coal or the generation of power from thermal coal for more than 5% of the relevant company's revenue.

The Sub-Fund long book held zero companies with exposure to fossil fuels during the reference period.

[3] Figure shows the percentage of the Fund's long assets within each economic sector as at 31 December 2022

Annex continued

MELCHIOR SELECTED TRUST
General Information (continued)
SFDR (Sustainable Finance Disclosure Regulation) (unaudited) (continued)

To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

- **Did the financial product invest in fossil gas and / or nuclear energy related activities that comply with the EU Taxonomy[4]?**

☐ **Yes:**

☐ In fossil gas ☐ In nuclear energy

☒ **No**

0%

While this Sub-Fund promotes environmental or social characteristics within the meaning of Article 8 of the SFDR, it does not currently commit to investing in any "Sustainable Investments" within the meaning of the SFDR or the Taxonomy Regulation.

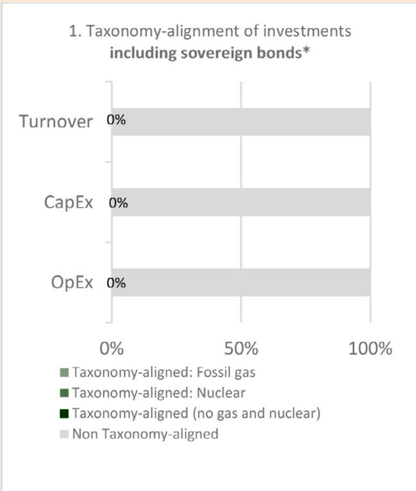
Accordingly, it should be noted that this Sub-Fund does not consider the EU criteria for Environmentally Sustainable Economic Activities within the meaning of the Taxonomy Regulation and its portfolio alignment with such Taxonomy Regulation is 0%. Therefore, the "do not significant harm" principle does not apply to any of the investments of this Sub-Fund.

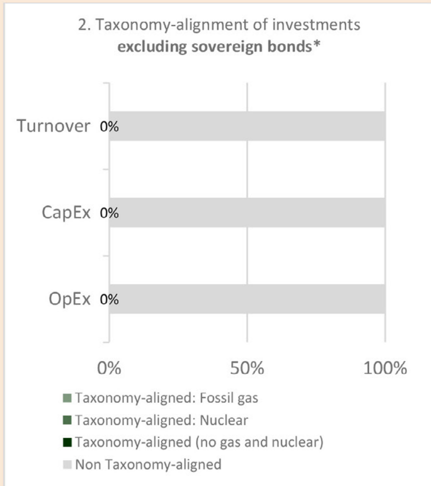
[4] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanation note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

MELCHIOR SELECTED TRUST
General Information (continued)
SFDR (Sustainable Finance Disclosure Regulation) (unaudited) (continued)

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflects the "greenness" of investee companies today.
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.
- **operational expenditure** (OpEx) reflects the green operational activities of investee companies.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.





This graph represents 100% of the total investments.

**For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures*

What was the share of investments made in transitional and enabling activities?

The Sub-Fund promotes environmental and social characteristics but does not commit to making any Sustainable Investments. As a consequence, the Sub-Fund does not commit to a minimum extent of Sustainable Investments with an environmental objective aligned with the EU Taxonomy, neither to a minimum share of investments in transitional and enabling activities.

How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods

The Fund does not invest in environmentally sustainable activities, transitional activities or enabling activities under the EU Taxonomy Regulation.

What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

Not applicable as the Sub-Fund does not invest in Sustainable Investments as defined under Article 2 (17) of the SFDR.

Annex continued

MELCHIOR SELECTED TRUST

General Information (continued)

SFDR (Sustainable Finance Disclosure Regulation) (unaudited) (continued)

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.

What was the share of socially sustainable investments?

Not applicable as the Sub-Fund does not invest in Sustainable Investments as defined under Article 2 (17) of the SFDR.

What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?

The Sub-Fund used financial derivative instruments for maximising returns, for efficient portfolio management, and for hedging purposes. The Sub-Fund may take positions in – but is not limited to – the following: currency forward contracts, contracts for difference, warrants and futures contracts, and equity index options.

Investments not contributing towards the environmental or social characteristics, such as ancillary liquid assets and cash equivalents, are held to maximise the Sub-Fund's expected total return or for the purposes of efficient portfolio management.

There are no minimum environmental or social safeguards to these positions.

What actions have been taken to meet the environmental and/or social characteristics during the reference period?

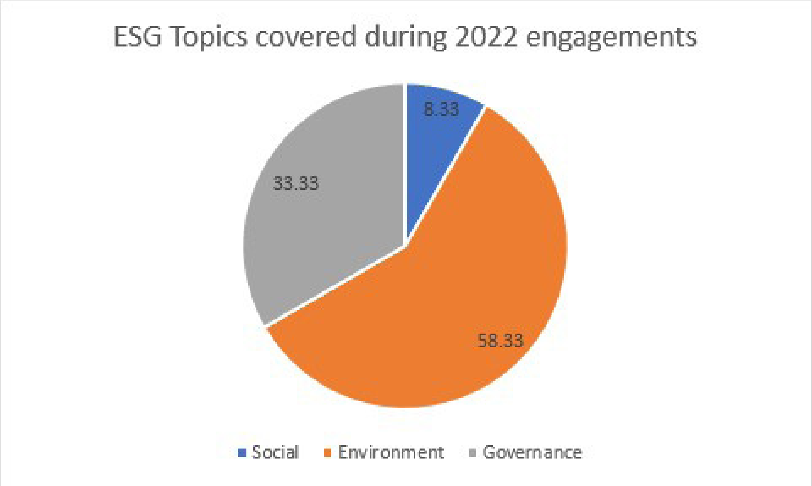
The Melchior ESG Committee met quarterly during the review period to review the Fund's exclusion policy and to ensure that the Fund continued to meet the promoted characteristics. In addition, the evolution of the Fund's third party assigned ESG Fund Score was reviewed in detail and any ESG risks and incidents highlighted.

The Melchior ESG Committee is a Sub-Committee of the Polar Capital Sustainability Committee. The Melchior Committee consists of Nick Mottram (Melchior ESG Committee Chairman), Glen Pratt (Melchior ESG Committee Investment Officer) and Alexander Macdonald, (Head of Sustainability).

The Fund considered ESG factors as an integral part of its investment process. As part of this, companies were analysed according to the Fund's internal screening process designed to incorporate ESG factors and using ESG data from third party vendors as an input. In particular, the use of ESG metrics to screen, score and exclude potential investee companies is an active part of the decision-making process.

Another important aspect of the ESG Investment Process is engagement with prospective investments and investee companies. During 2022, the Investment Team undertook 24 engagements with companies where ESG issues were the primary focus of the engagement or where ESG issues were discussed as part of a more general meeting. The below graph summarises the breakdown of the broad ESG topics covered during these.

MELCHIOR SELECTED TRUST
General Information (continued)
SFDR (Sustainable Finance Disclosure Regulation) (unaudited) (continued)



The Investment Manager added to the holding in JD Sports specifically because improvements in their ESG performance were observed. These relate to the satisfactory conclusion to various Governance concerns such as the departure of the Joint Chairperson/CEO and the resolution of some outstanding litigation.

The Investment Manager purchased a position in Moncler due to an improvement in their sustainability approach. In 2021, this company was sold from the portfolio partly because the company still used fur as one of its source materials in its garments. In January 2022, the company announced that they would phase out this fur sourcing and consequently, the Investment Manager concluded that the company now met the Environmental criteria for inclusion in the Fund.

The Investment Manager took a negative view of Stadler due to various Governance concerns. The Chairman is the largest shareholder and effectively controls all the decision making, even though there is a new CEO, which among other aspects, has resulted in several related party transactions which the Investment Team believe are not in the interests of shareholders. The Team also believed that there was a lack of progress in improving ESG disclosure.

The Investment Manager actively considered investments in Porsche and Ferrari but following engagements with both companies which included discussion of ESG issues, the Investment Manager excluded both companies from consideration. Ferrari's GHG emissions in particular have risen in recent years and the Team are not at all confident that the company is taking enough action to help reduce Scope 3 GHG emissions resulting from the sale of their product.

Several other engagements focused on efforts by companies to reduce Scope 3 GHG emissions or achieve Net Zero by 2050, consistent with the objectives of the Paris Agreement to limit global warming to less than +1.5 degrees. Examples include the engagements with ASML, Electrolux and Maire Tech.

Annex continued

MELCHIOR SELECTED TRUST
General Information (continued)
SFDR (Sustainable Finance Disclosure Regulation) (unaudited) (continued)

How did this financial product perform compared to the reference benchmark?

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- ***How does the reference benchmark differ from a broad market index?***

  No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

- ***How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?***

  No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

- ***How did this financial product perform compared with the reference benchmark?***

  No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

- ***How did this financial product perform compared with the broad market index?***

  No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

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