



GBP Class F7 | ISIN: LU1205353409

## NAV per Share

GBP Class F7      £200.87

## Fund Details

Fund Size	£5.2 m
Base Currency	GBP
Denominations	USD/GBP/EUR
Fund Structure	SICAV
Domicile	Luxembourg
Listing	-
Launch Date	02 August 2010
Investment Manager	Polar Capital LLP

## Fund Managers



**Nick Mottram**  
Portfolio Manager

Nick has managed the fund since launch. He joined Polar Capital in 2021 and has 37 years of industry experience.

## Fund Profile

### Investment Objective

The Fund's investment objective is to achieve capital appreciation through selective investment in global equities.

### Key Facts

- Established fund with long term track record
- Typically 70 - 80 positions
- Highly experienced investment team
- Multi-factor, bottom up stock picking process, integrating Value, Growth, Quality and Momentum
- Proven, and repeatable idea generation

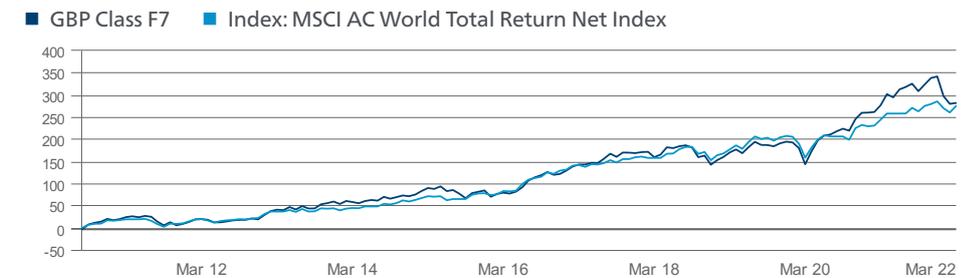
## Fund Ratings



Ratings are not a recommendation. Please see below for further information.

## Share Class Performance

### Performance Since Launch (%)



	Since Launch								
	1m	3m	YTD	1yr	3yrs	5yrs	10 yrs	Cum.	Ann.
GBP Class F7	0.55	-13.54	-13.54	1.38	41.35	57.20	219.10	281.96	12.17
Index	4.11	-2.64	-2.64	12.42	45.67	64.71	214.63	264.26	11.72

### Discrete Annual Performance (%)

12 months to	31.03.22	31.03.21	31.03.20	29.03.19	29.03.18
GBP Class F7	1.38	54.71	-9.88	4.15	6.78
Index	12.42	38.94	-6.74	10.53	2.30

### Performance relates to past returns and is not a reliable indicator of future returns.

Performance for the GBP Class F7. The class launched on 12 June 2015. Performance data is shown in GBP. Source: Edmond de Rothschild Asset Management (Luxembourg)  
Performance data takes account of fees paid by the fund but does not take account of any commissions or costs you may pay when subscribing for or redeeming shares or any taxes or securities account charges that you may pay on your investment in the fund. Such charges will reduce the performance of your investment.

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## Portfolio Exposure & Attribution

As at 31 March 2022

### Top 10 Positions (%)

Microsoft	3.5
Alphabet	3.0
UnitedHealth Group	2.1
Thermo Fisher Scientific	2.0
AutoZone	1.9
Accenture	1.8
TSMC	1.8
Arthur J Gallagher & Co	1.8
Synopsys	1.7
Roche	1.6
<b>Total</b>	<b>21.2</b>

**Total Number of Positions** 82

**Active Share** 82.26%

### Geographic Exposure (%)

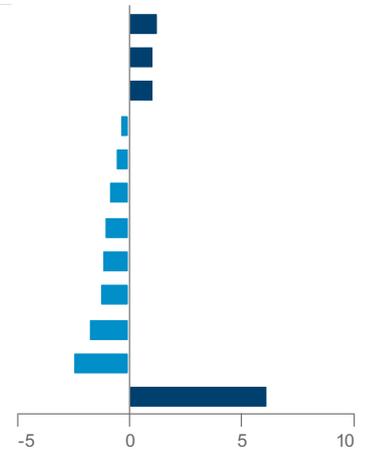
US & Canada	54.7
Europe (ex UK)	14.2
Asia Pac (ex-Japan)	11.8
Japan	7.4
UK	4.1
Middle East & Africa	1.4
Cash	6.2

### Market Capitalisation Exposure (%)

Large Cap (>US\$10 bn)	72.9
Mid Cap (US\$1 bn - 10 bn)	20.1
Small Cap (<US\$1 bn)	0.7

### Sector Exposure - Top Overweights & Underweights Relative to Index (%)

	Fund	Relative
Information Technology	23.6	1.3
Consumer Discretionary	12.9	1.1
Healthcare	13.0	1.1
Industrials	9.1	-0.4
Utilities	2.3	-0.6
Materials	4.2	-0.9
Communication Services	7.0	-1.1
Financials	13.4	-1.2
Real Estate	1.4	-1.3
Energy	2.5	-1.8
Consumer Staples	4.3	-2.5
Cash	6.2	6.2



The column headed "Fund" refers to the percentage of the Fund's assets invested in each sector. The column headed "Relative" refers to the extent to which the Fund is overweight or underweight in each sector compared (relative) to the index.

Note: Totals may not sum due to rounding. It should not be assumed that recommendations made in future will be profitable or will equal performance of the securities in this document. A list of all recommendations made within the immediately preceding 12 months is available upon request.

## Share Class Information

Share Class	Bloomberg	ISIN	SEDOL	Minimum Investment	OCF <sup>†</sup>	Ann. Fee	Perf. Fee <sup>**</sup>
GBP F7	MSGEI7G LX	LU1205353409	BWFQSW4	USD 10,000	0.45%	0.25%	N/A

<sup>†</sup>Ongoing Charges Figure (OCF) is the latest available, as per the date of this factsheet

<sup>\*\*</sup>Performance Fee This Fund does not have a performance fee.

## Fund Manager's Comments

The Fund ended a difficult first quarter of 2022 with its NAV down 13.5% (F7 GBP Share Class) on the start of the year, some way behind the return on the MSCI All Countries World Index (ACWI). The Fund's NAV was up modestly in March but again lagged ACWI. Significant changes were made to the portfolio holdings during the final week of the quarter.

### Market review

Global equity markets dropped sharply at the start of March before a strong rally from mid-month as the initial shock of the Russian invasion of Ukraine was absorbed. The real zip took hold after soothing comments on US wage inflation were made by Jerome Powell, the US Federal Reserve Chair, after the 16 March FOMC meeting. At the meeting, the Federal Reserve raised its target Fed Funds rate for the first time since 2018 and indicated it expects to raise rates six more times in the current year, as well as to start shrinking its balance sheet, possibly starting as soon as the May meeting. Powell's remarks on the absence of a wage cost spiral triggered the sharp rally by equity markets.

The shorter-term outlook for equity markets now hinges on corporate earnings expectations as the tension between current and future inflation rates plays out. In the medium term, the risk of a shift from commodity and consumer goods price inflation to a sticky wage-driven inflation environment is not being fully discounted by markets, nor is the risk that central banks have to play catch-up by tightening policy more aggressively as inflation outpaces expectations.

Hopefully, extra workers will be taken on in the US and UK to absorb the demand for staff, allowing the already flagged rate hikes to mitigate the spikes in energy costs, house prices and wage demands which have followed the Covid reset. If not, sharper policy action than expected will dent economic growth and equity markets.

It is very clear from the reshaped landscape in Q1 that the 2009-20 investment regime has gone, and higher nominal interest rates, persistently higher costs (of labour, energy and materials) and perhaps less demand from consumers will be the order of the day. This suggests a squeeze on corporate profits which has not yet been reflected in earnings revisions, although the derating of growth stocks in the first quarter is a sign that this risk has started to be priced in. In the US and Europe, Q1 corporate earnings growth looked reasonably robust but they were really driven by the energy and commodity sectors. With US corporate profits at an all-time high as a share of US GDP, there is probably limited headroom for margins to rise to absorb higher costs.

### Fund activity

This background picture of valuation compression, softer earnings revisions and the relative price underperformance by growth has been coming through in the scores we calculate on the Fund's investment universe of 5,000 companies. As a result, the Fund's portfolio has now shifted towards higher scoring stocks in a wider range of sectors, with a number of underperforming holdings in the technology and consumer sectors being cut. The Fund now has a more neutral sector exposure compared to the benchmark index and a regional distribution more closely aligned with the index as well.

The ability to use our Systematic Research Engine (SyREn) scoring process to continuously identify new holdings which match our

desired profile allows the Fund to adjust to changed circumstances. This profile reflects:

- A history of producing economic returns above the stock's cost of capital, combined with the growth in the capital base on which it earns those returns
- A significant gap between a fair value based on the history of this return profile and the current share price
- Positive profit momentum and expectations based on revisions by stockbrokers to their published earnings forecasts
- A positively trending share price relative to the benchmark index, which is ideally accelerating

The Fund's main source of underperformance in March was in technology, with **Sunny Optical Technology Group** (down 31%) and **The Trade Desk Inc** (down 17%) being the two worst performers, partly offset by Korea's **Innox Advanced Materials Co.**, which was up 29%. Financial stocks were positive, led by US insurance broker **Arthur J Gallagher & Co.** which was up 13% in March. Most regions were negative for the Fund, led by North America and Europe, with the Fund's Japanese and South Korean holdings outperforming.

Over the quarter as a whole, the rotation in style which began in the first week of January hit the kinds of growth stock the Fund owned, principally in the technology and consumer sectors but also sprinkled across the rest of the portfolio. Rather than stock-specific events, significant price declines in many holdings reflected the sustained underperformance of quality and momentum characteristics and the underperformance of smaller and mid-cap stocks. Overall, the Fund's bias towards these characteristics, away from classic value stocks and sectors, was the major cause of a disappointing quarter.

Nick Mottram

6 April 2022

## Risks

- Capital is at risk and there is no guarantee the Fund will achieve its objective. Investors should make sure their attitude towards risk is aligned with the risk profile of the Fund.
- Past performance is not a reliable guide to future performance. The value of investments may go down as well as up and you might get back less than you originally invested.
- The value of a fund's assets may be affected by uncertainties such as international political developments, market sentiment, economic conditions, changes in government policies, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of countries in which investment may be made. Please see the Fund's Prospectus for details of all risks.
- The Fund may enter into a derivative contract. The Fund's use of derivatives carries the risk of reduced liquidity, substantial loss and increased volatility in adverse market conditions, such as failure amongst market participants.
- The use of derivatives will result in the Fund being leveraged (where market exposure and the potential for loss exceeds the amount the Fund has invested) and in these market conditions the effect of leverage will magnify losses. The Fund makes extensive use of derivatives.
- If the currency of the share class is different from the local currency in the country in which you reside, the figures shown in this document may increase or decrease if converted into your local currency.

## Important Information

This is a marketing communication and does not constitute a solicitation or offer to any person to buy or sell and related securities or financial instruments. Any opinions expressed may change. This document does not contain information material to the investment objectives or financial needs of the recipient. This document is not advice on legal, taxation or investment matters. Tax treatment depends on personal circumstances. Investors must rely on their own examination of the fund or seek advice. Investment may be restricted in other countries and as such, any individual who receives this document must make themselves aware of their respective jurisdiction and observe any restrictions.

A decision may be taken at any time to terminate the marketing of the Fund in any EEA Member State in which it is currently marketed. Shareholders in the affected EEA Member State will be given notification of any decision and provided the opportunity to redeem their interests in the Fund, free of any charges or deductions, for at least 30 working days from the date of the notification.

Further information and any associated risks can be found in the Fund's Key Investor Information Document ("KIID"), the Prospectus, the Articles of Association and the annual and semi-annual reports. These documents are available free of charge at Melchior Selected Trust, 4, rue Robert Stumper L-2557 Luxembourg, via email by

contacting [Investor-Relations@polarcapitalfunds.com](mailto:Investor-Relations@polarcapitalfunds.com) or at [www.polarcapital.co.uk](http://www.polarcapital.co.uk). The KIID and Prospectus are available in English.

A summary of investor rights associated with investment in the Fund is available online at the above website, or by contacting the above email address.

In the United Kingdom and Switzerland, this document is provided and approved by Polar Capital LLP which is authorised and regulated by the Financial Conduct Authority ("FCA"). Registered address: 16 Palace Street, London SW1E 5JD. Polar Capital LLP is the investment manager and promoter of the Fund which is a sub-fund of the Melchior Selected Trust (an open-ended investment company with variable capital and with segregated liability between its sub-funds) incorporated in Luxembourg as a Société d'Investissement à Capital Variable ("SICAV") and authorised by the Commission de Surveillance du Secteur Financier ("CSSF"). Edmond de Rothschild Asset Management (Luxembourg) acts as management company and is regulated by the CSSF. Registered Address: 4 rue Robert Stumper, L-2557 Luxembourg.

**Benchmark** The Fund is actively managed and uses the MSCI AC World Total Return Net Index as a performance target. The benchmark has been chosen as it is generally considered to be representative of the investment universe in which the Fund invests. The performance of the Fund is likely to differ from the performance of

## Administrator Details

Edmond de Rothschild Asset Management (Luxembourg)

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Dealing	Daily
Cut-off time	14:00 Luxembourg

the benchmark as the holdings, weightings and asset allocation will be different. Investors should carefully consider these differences when making comparisons. Further information about the benchmark can be found <http://www.msci.com>. The benchmark is provided by an administrator on the European Securities and Markets Authority (ESMA) register of benchmarks which includes details of all authorised, registered, recognised and endorsed EU and third country benchmark administrators together with their national competent authorities.

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**Luxembourg and the United Kingdom** The Fund is registered for sale to all investors in these countries. Investors should make themselves aware of the relevant financial, legal and tax implications if they choose to invest.