1 General Overview

Saturday, 4 April 2015

We don't mind being out of sync with the herd, and we don't let that get to us… When opportunity is scarce and markets expensive, it is dangerous to force money into new investments. We are disciplined at all times, and when we can't find bargains, we choose to hold cash – sometimes large amounts – as a residual of our bottom-up investment process. This is something few on Wall Street appear able or willing to do."
- Seth Klarman, Baupost, 2014

Dear Partners:

The Fund finished the first quarter of 2015 8,64% in the plus, versus +14,90% for the MSCI World Index and versus +17,51% for the Eurostoxx 50. It should be noted that more than 13% points of the 2015 Q1 return of the MSCI World Index can be attributed to a stronger U.S. Dollar! In U.S Dollar the MSCI world index returned 1,82% in the first quarter! The Net Asset Value of the Fund is 216,17 (cf. part 2.3 for all the NAVs of all series). We currently have a 41,55% cash position.

Below are the results of the Tartaros Global Value Fund since its inception on the 21st of October 2008 (cf. part two for the fund overview); also shown is the return of a major market index (we would like to stress that there is no specific benchmark for the Fund; the comparison to the market index is only provided as an indication to the broader market context):

Returns % (in € - net of all fees)*

2015	*jan*	*feb*	*mar*	*apr*	*may*	*jun*	*jul*	*aug*	*sep*	*oct*	*nov*	*dec*	*ytd*
Fund	5,47	2,03	0,94										8,64
Msci world	4,97	6,54	2,75										14,90

*The MSCI World is a stock market index of "world" stocks. It is maintained by M.S.C.I., formerly Morgan Stanley Capital International. The index includes equities from 23 countries, and has been calculated since 1969.
*Please note that individual investor net returns will vary due to the timing of one's investment. The 2015 results reported above are unaudited estimates and may be subject to change.

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	Tartaros	*EuroHedge Global Equity*	*Euro Stoxx 50 (excl. dividends)*	*MSCI World (excl. dividends)*	*Tradition Fund Low Risk*	*Traditional Fund High Risk*
2008	*6,30*	*-3,82*	*-6,21*	*-10,90*	*-7,28*	*-19,78*
2009	*45,52*	*10,72*	*21,00*	*22,67*	*12,91*	*28,05*
2010	*32,64*	*4,87*	*-5,85*	*18,11*	*6,59*	*14,30*
2011	*-2,98*	*-6,16*	*-17,05*	*-4,59*	*-2,95*	*-12,27*
2012	*0,55*	*3,73*	*13,79*	*10,95*	*7,72*	*12,74*
2013	*-5,88*	*10,97*	*10.59*	*17,62*	*3,69*	*12,11*
2014	*5,63*	*2,51*	*1,20*	*18,06*	*7,73*	*11,35*
Annualized	*11,64*	*3,50*	*3,01*	*10,59*	*4,32*	*6,12*
Cumulative	*99,00*	*23,65*	*20,38*	*87,60*	*20,96*	*30,19*
80% of traditional funds underperform 0.5% of traditional funds outperform more than 3% over the very long term						

Sometimes the hardest thing to do is to do nothing.

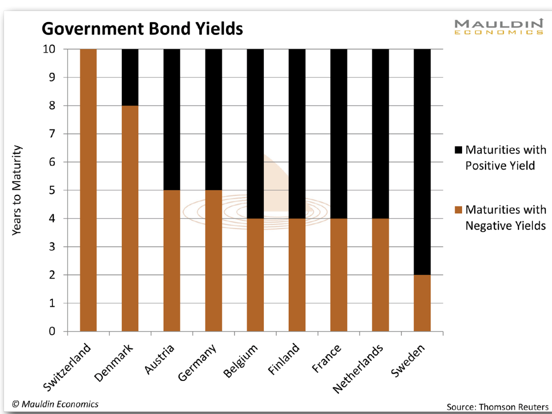
"This company looks cheap, that company looks cheap, but the overall economy could completely screw it up. The key is to wait. Sometimes the hardest thing to do is to do nothing."
- David Tepper

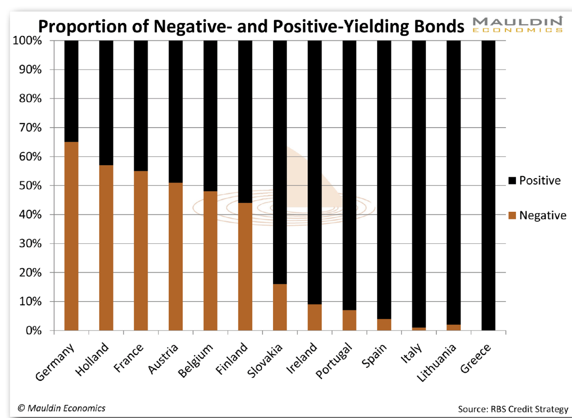
In the previous investment letter we stated that we are experiencing the first ever central bank sponsored global bubble. The global level of interest rates have been expertly manipulated for the past six years and it is today (nearly?) impossible to find an asset class in which money has not been easily convinced by the logic that nearly any financial activity – let's not call it investments anymore – makes sense if the investment hurdle is a (near) zero rate of interest: risk is very high as assets are priced off a zero interest rate policy!

Regardless of what you want to call the current state of financial markets, both the equity and bond markets are extremely expensive! Our belief is that the global financial system is on some kind of drug-fueled, artificial life support, and nobody (including ourselves) knows what the next economic environment will look like.

Most people think that policy makers will more or less muddle through and that the good times are here to stay, but we assume that a very surprising and, to put it mildly, a less benign environment lies in wait. Markets are not getting more efficient. The investment community has not become more rational. People should have learned a lesson in 1999-2002 and again in 2006-08, but they did not. And here we are again!

Ever since Mario Draghi's "whatever it takes" speech in July 2012, European equity prices were up 50% at the end of last year (even noticeably higher today) even as corporate earnings have actually declined by 7% (source: zerohedge)! So today not only the government (e.g. German 10-year are yielding 0.20% at present and German yields are now negative to a 7.5 year maturity) and corporate (e.g. Nestlé recently placed euro 500 million of bonds that traded at negative yields) bond markets are trading at unprecedented levels, but the equity markets are also pricing in more than perfection.

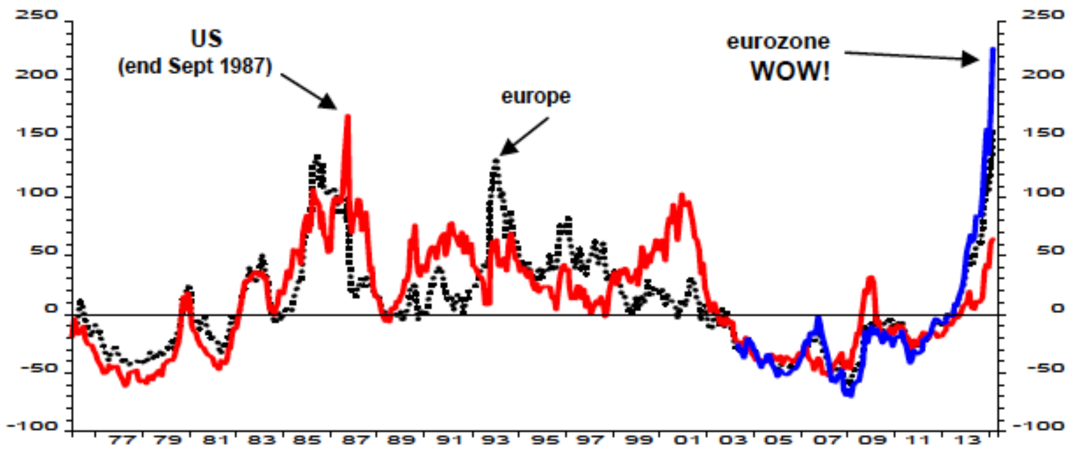




Source: Mauldin Economics

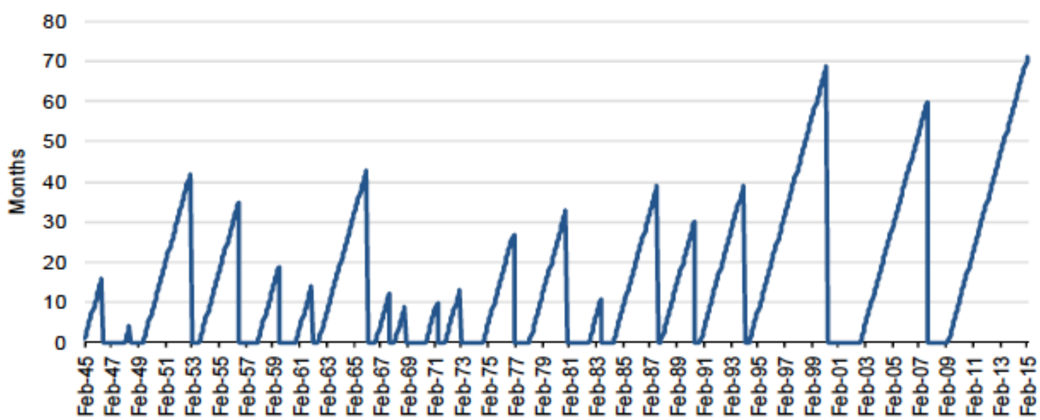
The always financially irreverent Albert Edwards and his team summed it all in up in the following charts. The recent extraordinary multiple expansion is most aptly illustrated by the first chart (cf. infra) showing eurozone trailing PEs expanding to the moon. On a trailing price-earnings basis, the eurozone now stands at 20 vs 18.5 in the United States!

Six years into this cyclical bull market eurozone PEs* have expanded 220%! (6y PE % change)



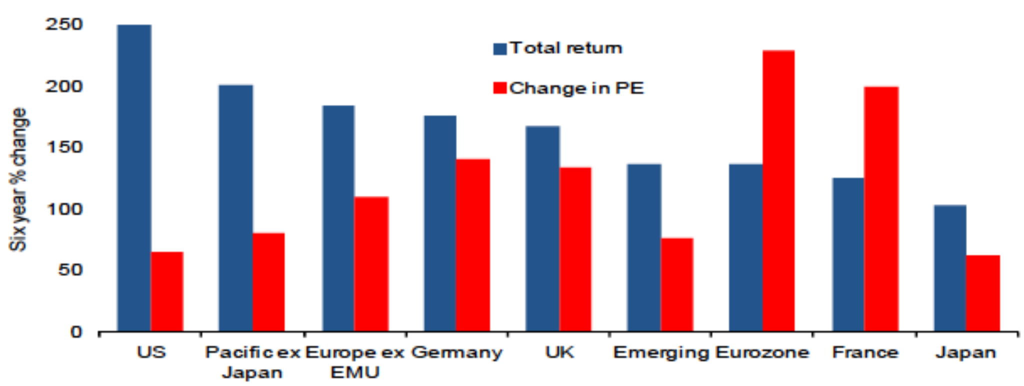
Source: SocGen Global Strategy Weekly

The longest post-war bull market - Length of S&P 500 bull markets in months



Source: SocGen Global Strategy Weekly

Massive returns and massive multiple expansion since March 2009



Source: SocGen Global Strategy Weekly

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The past couple of years have reminded us that value investing is not designed to shine (read: outperform) in a bull market. In a bull market anyone can do well, often better than value investors. It is only when the proverbial tide turns that the value investing discipline becomes relevant again.

Unprecedented easy monetary policies (QE and ZIRP) have created an unseen wave of market exuberance. And at today's market valuations there is no more room for error left, not in the equity markets and not in the bond markets. But when we cannot find investments that meet stringent value criteria, we will do nothing… so yes, sometimes the hardest thing to do is to do nothing… especially when everybody else is making "easy" money… How long will all of this last? Nobody knows! But we do know that the things that feel most uncomfortable in the short run are generally the most rewarding in the long run. And right now one of the most uncomfortable things is – absent investment bargains! – to hold cash.

It should be noted that despite the fact that we occasionally (once in a very while) have a macro opinion, we spend no time trying to outguess market gurus about market movements (up or down) or the economy for the purpose of deciding whether or not to invest. We worry top-down, but we will always invest bottom-up.

So a value-based investment approach can leave one feeling quite lonely at times as it often demands a substantial and thus uncomfortable distance from the crowd. André Gide, the French Nobel laureate in literature, once said, "Everything that needs to be said has already been said. But since no one was listening, everything must be said again." Value investing is simple, but not easy. The logic and math behind most our investment decisions is not based on rocket science. Value investment principles and rules can be taught. But consistent application is far, far more challenging!

Changes in the Fund's Portfolio (cf. 2.2. Fund Positions for more details)

"The way to get rich is to keep $10 million in your checking account in case a good deal comes along."
- Charlie Munger, 2015 Daily Journal Annual Meeting of Shareholders

In the past quarter, we sold two companies and made no new investments. Two other holdings are undergoing (directly / indirectly) a corporate event that has unlocked / might unlock value.

When Bill Ackman (Pershing Square) and Steve Roth (Vornado REIT) teamed up in 2012 and made an investment in JC Penney, we sat up. Bill Ackman brought in Ron Johnson – the man behind the Apple store success – to fix up JC Penney, still one of the largest, but now outdated U.S. retailers, and he attempted to make changes to the stores that probably should have been done over ten years in stead of a couple of years. The result today is a sales decline to 12 billion usd from 17 billion usd and a loss in the common equity of more than 70%.
Luckily, we concluded that investing in the common did not provide the necessary margin of safety. We did find a margin of safety – debt covered by the large real estate holdings – in the somewhat illiquid JC Penney bonds. This past quarter, we exited the corporate bond investment with 50% plus gain.
It proves once again that investing is all about being in the business of making mistakes. And even the best of the best make them! Moreover, we should always focus on the key value drivers of an investment – more information can give a false sense of security (cf. the 60+ page presentation made by Pershing Square: http://av.r.ftdata.co.uk/files/2012/05/ira-sohn-pershing.pdf)!

We sold Telephone & Data Systems. TDS is a family controlled company that owns 84% of US Cellular, as well as some local/rural telephone/cable companies and hosted managed services assets. The controlling family owns 14% of the shares and controls over 50% of the vote. Our investment thesis was based on incredibly unlocked value and the hope that – give the changing telecom landscape in the United States – the controlling family shareholder would finally make the right decisions to unlock that value. On the last conference call, management stated that they had no intention to make any strategic changes. That was our cue to exit the investment. The low price paid and the currency effect provided us with a decent enough return.

The controlling shareholder of Rella showed that it can be done differently! Rella Holding is a holding company for the B shares of Aller Holding A/S. Rella holdings thus represents an economic interest in Aller, the leading publisher of weeklies in Scandinavia (60% share of the market). Obviously we were aware that Aller's core markets are in secular decline, but by investing at a discount to the value of the net cash and the real estate, we thought we had a more than sufficient margin of safety.
A couple of weeks ago the controlling family shareholder of Rella decided that the company should sell their shares B shares to Aller Holding and then liquidate the company. At the moment it is a 2% plus fund holding and we are sitting on an unrealized gain of 125%. We intend to hold our shares until we receive the liquidation proceeds. This should add another 3-4% to our investment gain.

Finally, in the 2014 Q1 investment letter we mentioned that we made an investment in an under the radar screen German residential real estate property company. Recently Conwert SE, the majority shareholder (76% stake) of KWG Kommunale Wohnen received an unsolicited take-over offer. We are hopeful that this will eventually in turn lead to a value-unlocking event (take-over of sale) for its subsidiary KWG Kommunale Wohnen.

Next update

You should receive the next investment letter by the middle of July at the latest. In the meantime, please email or call us with any questions or comments you have.

As always we remain grateful for your votes of confidence!

The Tartaros Team

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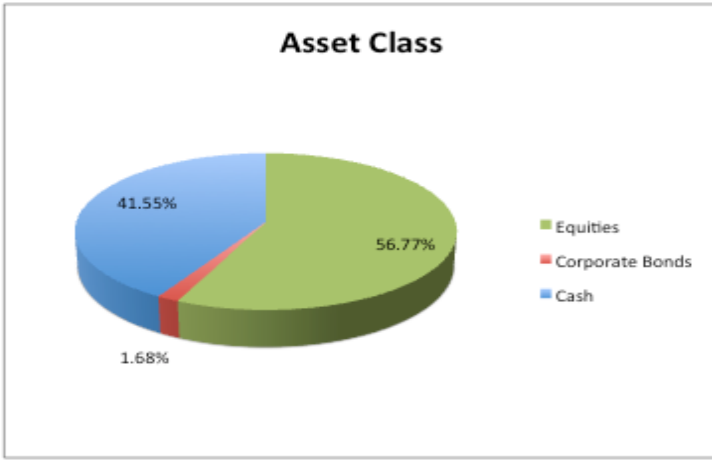
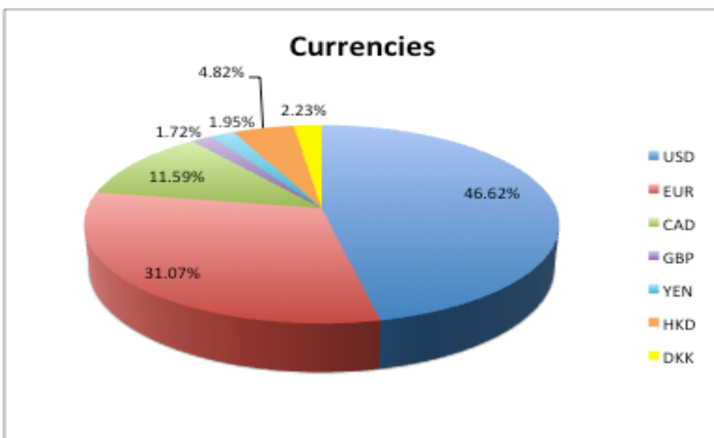
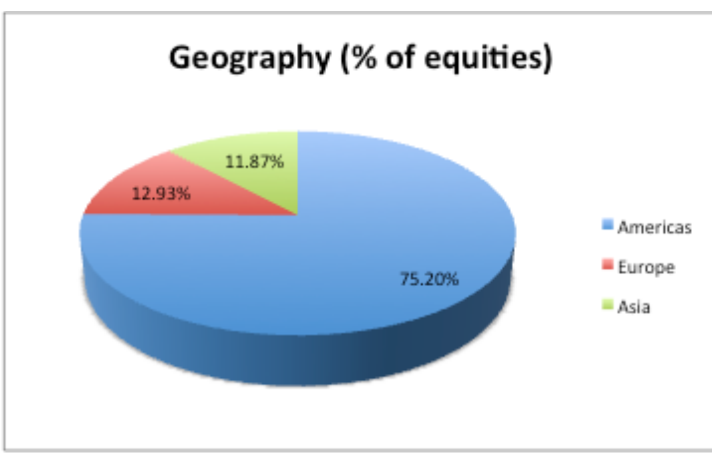
2 Fund Overview

2.1 General Overview (end of Q1 2015)







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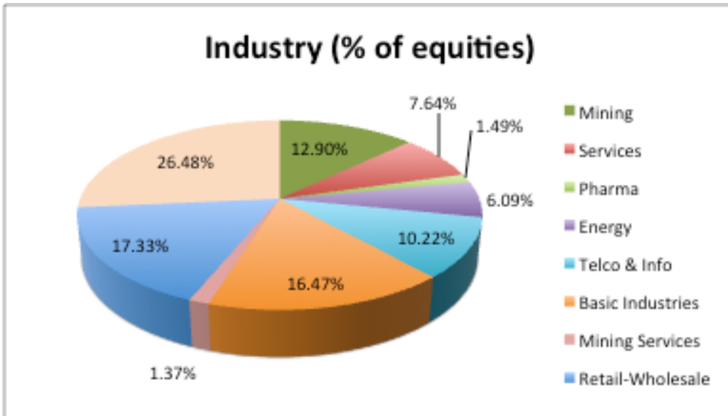

2.2 Fund Positions

We have no short positions and no leverage. We are invested long in 26 positions.

The portfolio is invested in companies across a range of market capitalizations:

Market Capitalizations in USD	*% of equities invested*
> 5 Billion	11%
1< 5 Billion	18%
0,5 < 1 Billion	7%
< 0,5 Billion	64%

Position	*% of portfolio*
Cash	41,55%
Investment 1	6,76%
Investment 2	5,14%
Investment 3	5,13%
Investment 4	4,80%
Investment 5	4,55%

We sold the following investments:

Disinvestment	*Entry Price*	*% of Portfolio*	*Return*
Telephone & Data Systems	24,58 usd	3,48%	+29,30%
JC Penney 2018 Bond*	73,61 usd	1,55%	+51,31%

* We still have a very small position in the 2036 Bond.

It should be noted that all numbers are approximations.

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2.3 NAV series

Série A 1 LEAD	216,17
Série B 3 31/12/10	105,35
Série C 5 31/03/11	102,84
Série D 7 30/06/11	109,66
Série E 9 30/09/11	115,25
Série F 13 31/12/11	108,59
Série G 15 31/03/12	107,02
Série H 17 30/06/12	112,67
Série I 19 30/09/12	103,46
Série J 21 31/12/12	108,00
Série K 23 31/03/13	109,23
Série L 25 30/06/13	118,81
Série M 27 30/09/13	113,44
Série N 29 31/12/13	114,75
Série O 31 31/03/14	111,85

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