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1 General Overview

Sunday, 11 April 2010

Dear Partners:

The Fund finished the first quarter of 2010 4,23% in the plus. The Fund is up 61,23% since the start of the Fund versus 20,21% for the MSCI World Index. The Net Asset Value of the Fund at the end of the first quarter of 2010 is 161,23.

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)*

2008	*jan*	*feb*	*mar*	*apr*	*may*	*jun*	*jul*	*aug*	*sep*	*oct*	*nov*	*dec*	*ytd*
Fund										5,36	-3,82	4,89	6,30
Msci world										1,11	-6,50	-5,75	-10,90
2009	*jan*	*feb*	*mar*	*apr*	*may*	*jun*	*jul*	*aug*	*sep*	*oct*	*nov*	*dec*	*ytd*
Fund	8,54	-2,06	2,80	10,62	9,59	-3,94	4,45	0,27	2,60	-0,50	4,53	2,32	45,52
Msci world	-1,05	-9,25	1,91	11,18	2,28	-0,87	8,34	2,93	1,27	-2,97	2,33	6,05	22,67
2010	*jan*	*feb*	*mar*	*apr*	*may*	*jun*	*jul*	*aug*	*sep*	*oct*	*nov*	*dec*	*ytd*
Fund	-3,21	5,62	1,96										4,23
Msci world	-1,17	4,19	6,64										9,81

*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 results reported above are unaudited estimates and may be subject to change.

At the moment – including the new subscriptions – the Fund has a 21% cash position.

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Hard and systematic work

"Since we have emphasized that analysis will lead to a positive conclusion only in the exceptional case, it follows that many securities must be examined before one is found that has real possibilities for the analyst. By what practical means does he proceed to make his discoveries? Mainly by hard and systematic work."
- Benjamin Graham, Security Analysis

Looking at investment performance at a monthly, quarterly or even yearly basis is like looking at an elephant through a keyhole. It completely misses the big picture of true investment performance, i.e. a long-term focus on investment results. Investment institutions such as pension funds and endowments exist in perpetuity and are focused on long-term wealth creation. Yet performance of "traditional" investment managers is almost universally evaluated using short-term results – managers are compared using quarterly or monthly returns, creating extreme short-term pressures. Managers who do well in the short term are rewarded with more assets. Those who do not do well in the short term often don't survive to see the long term. How can these fund managers properly invest with a long-term view when they are faced with the pressures of short term performance?

We do not think in terms of monthly or quarterly snapshots of performance, although we do understand that after four years or so you would expect to see a favourable trend. We work hard and systematic to provide it.

Always focus on the downside!

What's the best way to... go about disarming one of these things? The way you don't die, sir.
- The Hurt Locker

At the core of our investment philosophy is the fact that maximizing the upside means first and foremost minimizing the downside. The devastating effect of permanent (!) capital loss on compounding portfolio returns cannot be overstated.

Some basic math clarifies this point. A 20% loss requires a 25% gain just to attain breakeven. A 33.3% loss requires a 50% gain just to attain breakeven. And a 50% loss requires a 100% gain just to regain the breakeven level. On a percentage basis - and it is on this basis that we must evaluate each and every decision - lost euros are simply harder to replace than gained euros are to lose.

Albert Einstein is purported to have once remarked that the most powerful force in the universe is compound interest. As long as we can stay in the game, the long term power of compounding will work in our favor. A 10% real annual return will multiply our money almost 7 times in 20 years, more than 10 times in 25 years, and more than 17 times in 30 years. If you put your money in an investment that delivers a return - and then reinvest those earnings as you receive them - the snowball effect can be astounding over the long term. But having even one single year with catastrophic losses undoes years of great performance. Simply put, the key to amassing wealth over time is avoiding catastrophic losses and never having to start over from scratch. In the end it boils down to Warren Buffett's (him again!) number one rule: Never lose money. His number two rule? Never forget rule number one.
When things go wrong, we can avoid catastrophic losses only by investing conservatively and without recourse leverage. Conservative investing is like insurance; it seems like a waste of money until something bad happens and then you are glad to have it.

The economic consequences of the bailout or the yellow stone effect

"Lenin is said to have declared that the best way to destroy the capitalist system was to debauch the currency. By a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens. By this method they not only confiscate, but they confiscate arbitrarily; and, while the process impoverishes many, it actually enriches some... Lenin was certainly right. There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose."

"The inflationism of the currency systems of Europe has proceeded to extraordinary lengths. The various belligerent Governments, unable, or too timid or too short-sighted to secure from loans or taxes the resources they required, have printed notes for the balance."
- John Maynard Keynes, The Economic Consequences of the Peace

The financial crisis has not gone away. The financial crisis (read: debt) has just been socialized by governments all over the world. The big question now is how the governments are going to repay all this debt. In 1919 John Maynard Keynes published "The Economic Consequences of the Peace". The book argues that the massive reparations demanded of Germany after the First World War jeopardized the European economy. Some even say that the economic mess - through the massive reparations - in Germany laid the foundation for the rise of Hitler.
In his book "Ubiquity: Why Catastrophes Happen", Mark Buchanan describes the "Yellowstone effect". From 1890 the U.S. Forest Service of the Yellow Stone national park introduced a zero tolerance approach to fires. This had the unintended effect of leading to a build up of highly flammable natural matter, driving the forest to an even more unstable state, a supercritical state, with burnable material everywhere. We believe that the zero tolerance for debt defaults, will one day cause its own yellow stone effect. If Keynes were alive today he would probably write a book called "The Economic Consequences of the Bailout".

Books

No One Would Listen: A True Financial Thriller - Harry Markopolos

→ The book details how Harry Markopolos and his team discovered what Madoff was up to long before Madoff's ultimate demise.

Reminiscences of a Stock Operator: Annotated Edition - Jon D. Markman.

→ This book is the fictionalized biography of perhaps the most (in)famous financial speculator of all time– Jesse Livermore. This new and annotated edition bridges the gap between Edwin Lefevre's fictionalized account of Livermore's life and the historical events, places, and people that populate the book.

Billion Dollar Lessons: What You Can Learn from the Most Inexcusable Business Failures of the Last 25 Years - Paul B. Carroll & Chunka Mui

→ With lessons learned from extensive research into 750 major bankruptcies between 1981 and 2006, including Enron, Conseco, Texaco, Kmart, and Refco, the authors set out to help corporate management avoid failure from bad strategies. Why isn't common sense more common?

The Big Short: Inside the Doomsday Machine - Michael Lewis

→ Michael Lewis (from Liar's Poker fame) follows several of the "off-beat" investors, who saw the unsustainability of the subprime mortgage market and decided to short it ahead of the curve. The best investors always fly under the radar screen…

What Every Person Should Know About War - Chris Hedges

→ Utterly lacking in rhetoric or dogma, this manual relies instead on brutal facts, frank description, and a question-and-answer format.

Ubiquity: Why Catastrophes Happen - Mark Buchanan

→ Mark Buchanan tells the fascinating story of the discovery that there is a natural structure of instability woven into the fabric of our world. From studying the physics of sand piles (!), scientists have learned that an astonishing range of things - earth's crust, cars on a highway, the market for stocks, and the tightly woven networks of human society - have a natural tendency to organize themselves into what's called the "critical state", in which they are poised on what Buchanan describes as the "knife-edge of instability".

Housekeeping and next update

You should receive the next update at the beginning of July.

As always, please feel free to call or e-mail us with any questions or comments you have.

Thank you for your continued referrals, interest and support!

Best Regards,

The Tartaros Team

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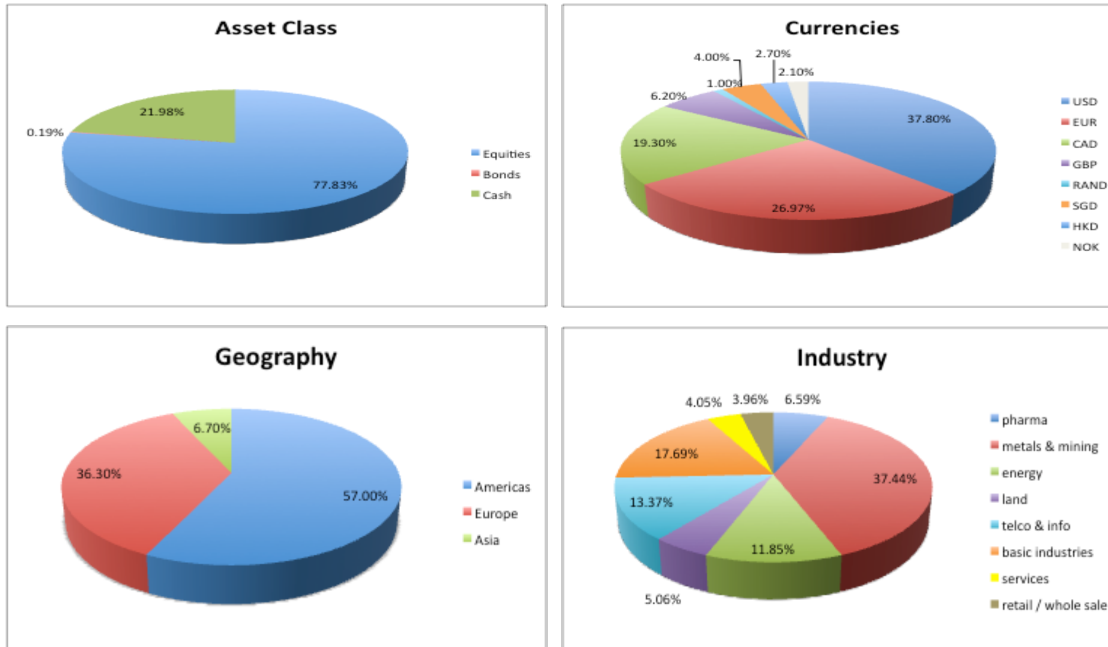
2 Fund Overview

2.1 General Overview (end of Q1 2010)



2.2 Fund Positions

We currently have no outright short positions and no leverage. We are invested long across 33 investment positions. The portfolio is invested in companies across a range of market capitalizations:

Market Capitalizations in USD	% of equities invested
> 5 Billion	6,06%
1< 5 Billion	21,21%
0,5 < 1 Billion	15,15%
< 0,5 Billion	57,58%

We sold out our position in Cowen (1,5% of the Fund at the time of disinvestment) at a 15% loss. We are in the process of closing out our position in Canal+ (3% of the Fund at the time of disinvestment) for a 7% return or a 12% annualized return.

It should be noted that all numbers are approximations.

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