



## 2011 Quarter 1 – Investment Letter

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# 1 General Overview

Monday, 4 April 2011

Dear Partners:

The Fund finished the first quarter of 2011 2,44% in the plus, versus -1,92% for the MSCI World Index (in €) and versus +4,23% for the Eurostoxx 50 (cf. graphs in email). The Net Asset Value of the Fund is 210,19.

Below are the results of the Tartaros Global Value Fund since its inception on the 21<sup>st</sup> 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
<i>Fund</i>										5,36	-3,82	4,89	6,30
<i>Msci world</i>										1,11	-6,50	-5,75	-10,90
2009	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	ytd
<i>Fund</i>	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
<i>Msci world</i>	-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
<i>Fund</i>	-3,21	5,62	1,96	5,19	-0,68	-0,32	-3,89	4,8	2,63	2,18	10,45	4,74	32,64
<i>Msci world</i>	-1,17	4,19	6,64	1,07	-2,47	-3,34	1,74	-1,29	1,37	2,08	4,11	4,33	18,11
2011	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	ytd
<i>Fund</i>	-3,87	4,63	1,85										2,44
<i>Msci world</i>	-0,27	2,27	-3,83										-1,92

\*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 2011 results reported above are unaudited estimates and may be subject to change.

## Quarterly performance numbers

Although we have posted ten straight quarters of positive returns, it should be noted that the Fund is not managed on a quarterly or even yearly basis, nor do we know how one would do that. Moreover, we believe that short term performance numbers have no informational value. In that respect Warren Buffet recently wrote the following: "Yearly figures, it should be noted, are neither to be ignored nor viewed as all-important. The pace of the earth's movement around the sun is not synchronized with the time required for either investment ideas or operating decisions to bear fruit." Our focus, with your support, will always be on the long term.

**Once again... The map is not the territory and it's not only frequency but also magnitude that counts...**

*Tyrion Lannister knew the maps as well as anyone, but a fortnight on the wild track that passed for the kingsroad up here had brought home the lesson that the map was one thing and the land quite another.*

*- A Game of Thrones, George R.R. Martin*

Thoughts from Nicolas Nassim Taleb (author of Fooled By Randomness and The Black Swan) on the nuclear crisis:

“The Japanese Nuclear Commission had the following goals set in 2003: The mean value of acute fatality risk by radiation exposure resultant from an accident of a nuclear installation to individuals of the public, who live in the vicinity of the site boundary of the nuclear installation, should not exceed the probability of about  $1 \times 10^{-6}$  per year (that is, at least 1 per million years). That policy was designed only 8 years ago. Their one in a million-year accident occurred about 8 year later.”

Mediocristan is the terrain of the average, the part of the world that conforms to the bell curve. It answers to statistics and knowable probabilities. Weight for instance resides in mediocristan. Pick any 1.000 or more people and their average weight will be close to that of the general population (even if you include the worlds fattest person). Extremistan is the world of outliers. E.g. financial wealth is part of extremistan. The average wealth of 1.000 people will be very different if one of those people is Warren Buffett.

In the man made world of extremistan where the outliers and not the averages count, it is clear once again that the map (read: model; e.g. the recent financial crisis and financial risk models (VAR)) is not the territory and it is not only frequency (the probabilities are underestimated) but also the magnitude (the consequences are much, much more underestimated) that counts. (cf. Tartaros Investment Maxims)

**Disclosure of Portfolio Holdings**

*All I want to do is hand in a scorecard when I come off the golf course. I don't want you following me around and watching me shank a three iron on this hole and leave a putt short on the next one.*

*- Warren Buffett*

In an ideal world an investment fund provides full real-time transparency and liquidity. Fortunately, this perfect world already exists. Unfortunately, the investment structures that provide these characteristics have all morphed into index tracking funds. This is a result of the failure of the typical investor not being able to deal with the provided transparency and liquidity. The traditional investment funds do not want to diverge from a certain benchmark (read: short term underperformance), because that would lead to asset outflows. Furthermore, the traditional asset management industry does not reward contrarian viewpoints (“you never get fired for investing in IBM” is an industry mantra). Adhering to convention is often irrational from an investment standpoint, but is perfectly rational when taking into account career risk.

These benchmark-hugging implementations – a kind of Hawthorne effect – have as a consequence that the information value of this so-called transparency is zero, because the holdings of these funds only reflect a tracking error compared to their respective benchmarks.

The Hawthorne effect is a form of reactivity whereby subjects improve or modify an aspect of their behavior being experimentally measured simply in response to the fact that they are being studied. The term was coined in 1950 by Henry A. Landsberger when analyzing older experiments from 1924-1932 at the Hawthorne Works (a Western Electric factory outside Chicago). Hawthorne Works had commissioned a study to see if its workers would become more productive in higher or lower levels of light. The workers' productivity seemed to improve when changes were made and slumped when the study was concluded. It

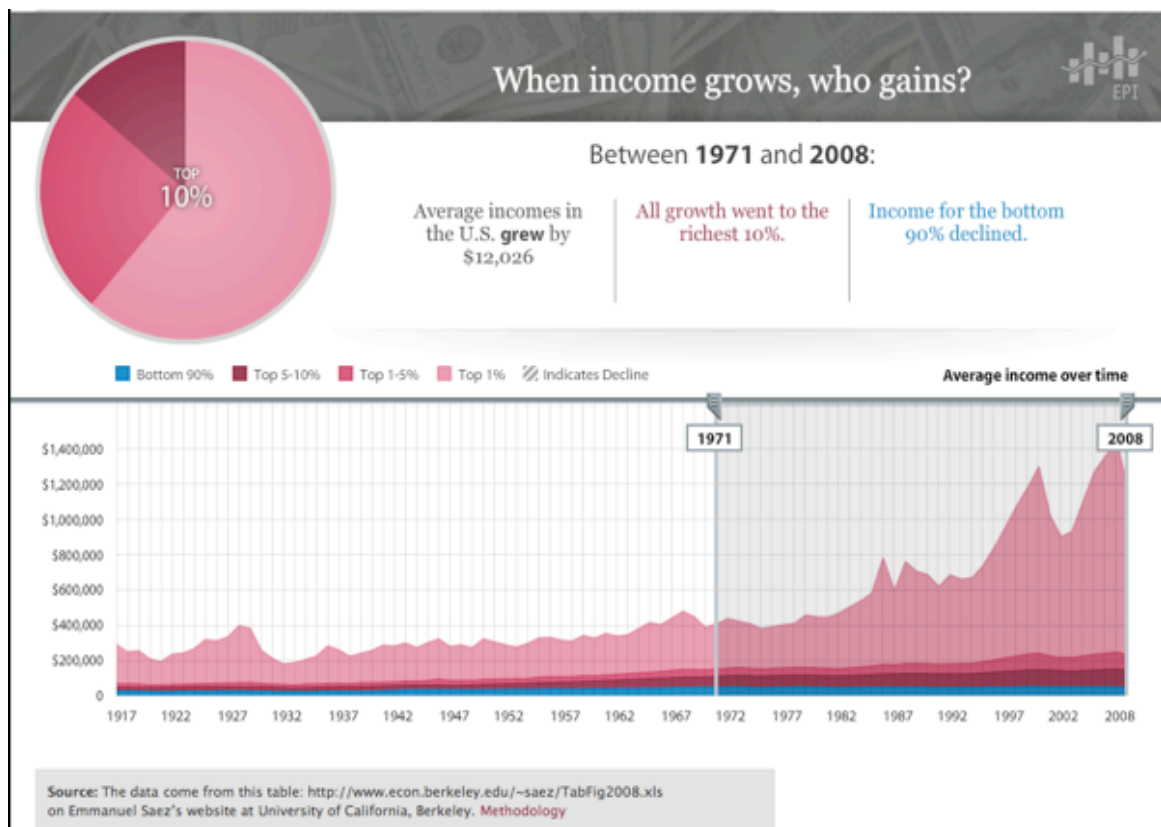
was suggested that the productivity gain was due to the workers feeling motivated; that is the workers were impacted by the motivational effect of the interest being shown in them.

We would like to stress that we provide full transparency of all disinvested holdings and their respective returns. But in the end, we believe that Warren Buffet was right when he wrote the following: “Despite our policies of candor, we will discuss our activities in marketable securities only to the extent legally required. Good investment ideas are rare, valuable, and subject to competitive appropriation just as good product or business acquisitions are.”

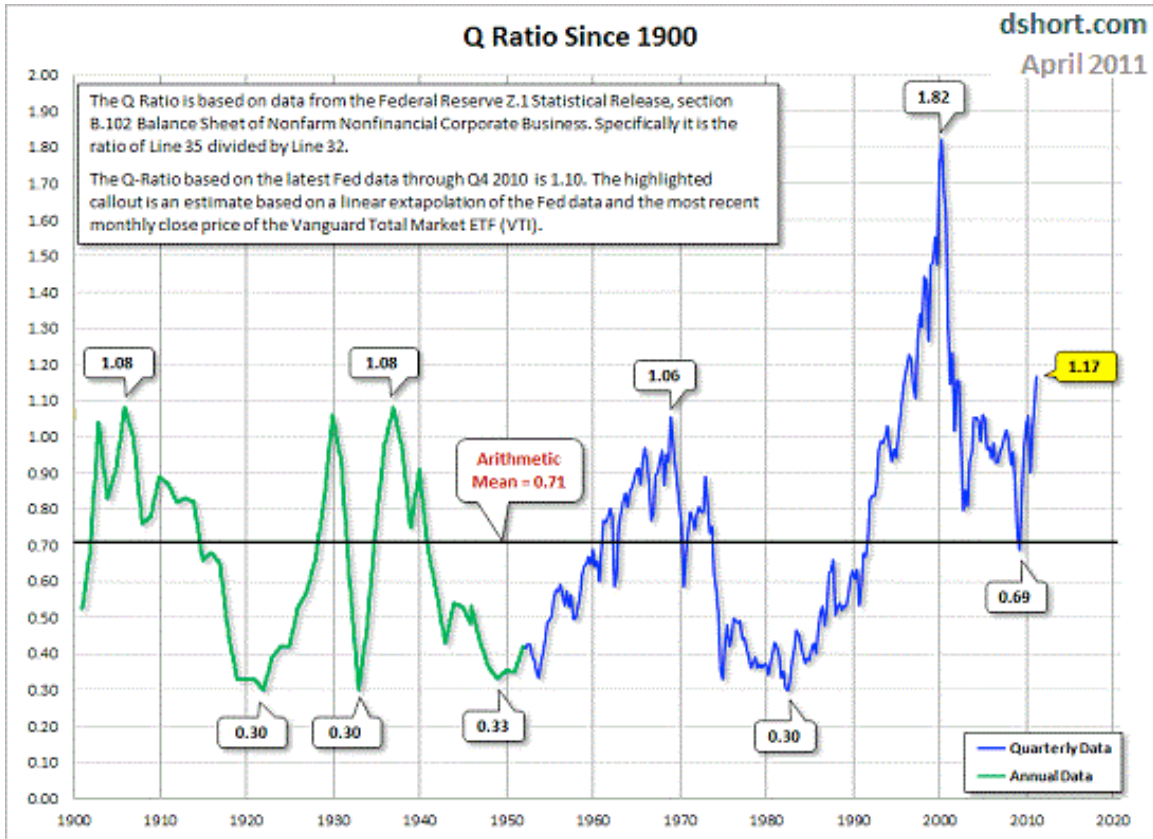
The historian Alfred Chandler once stated that structure follows strategy. The reality in the investing world is the other way around: structure defines what kind of strategy you choose or can implement in that it constrains both your view and attention to the investment environment so that you only see a select set of issues as important. This shapes an investment fund’s ideas of what it can or wants to do with respect to investing opportunities and how it manages these investment opportunities.

With your support we have created an investment structure and environment (long term capital, flexible mandate, etc.) that is conducive to making good investment decisions. We believe that is more than half the battle.

**A chart to ponder (part one): average U.S. income**



**A chart to ponder (part two): the Q ratio**



**Housekeeping and next update**

You should receive the next investment letter at the beginning of July.

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

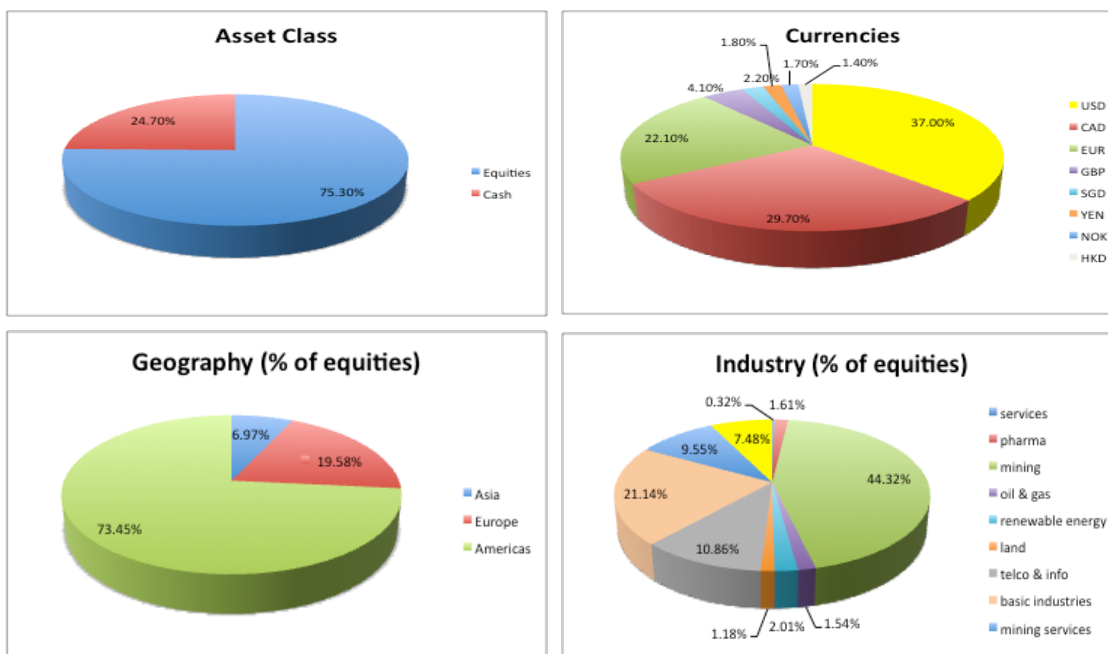
Finally, we would like to welcome 4 new partners to the Fund and would like to thank the current partners for their continued interest and added support!

Regards,

The Tartaros Team

## 2 Fund Overview

### 2.1 General Overview (end of Q1 2011)



### 2.2 Fund Positions

We have no short positions and no leverage. We are invested long across 33 investment positions. We have one Japanese investment (1,55% of Fund) – company that has a 50% share of the architectural coating market in Japan – and we are in the process of building a second investment position in that country. We are keenly aware that when it comes to investing Japan has been called the widow maker and hence we target companies where management has treated shareholders correctly in the past (e.g. share buybacks).

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

Market Capitalizations in USD	% of equities invested
> 5 Billion	12%
1 < 5 Billion	24%
0,5 < 1 Billion	6%
< 0,5 Billion	58%

Position	% of portfolio
Cash	24,70%
Investment 1	14,49%*
Investment 2	4,86%
Investment 3	4,85%
Investment 4	3,84%

\* We already sold almost 1/3 of this position at the end of last year.

We sold the following investments:

<i>Disinvestment</i>	<i>Entry Price</i>	<i>% of Portfolio</i>	<i>Return</i>	<i>Annualized Return</i>
Dragon Oil*	1,52 gbp	3,60%	241,66%	108,36%
Keynote Systems	11,39 usd	3,52%	63,9%	77,19%
Contango Oil & Gas	45,11 usd	0,32%	15,7%	39,18%
Standard Financial	12,3 usd	0,53%	21,22%	50,96%

\* We are in the process of closing this investment position.

It should be noted that all numbers are approximations.

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