Disclosures: This document is being provided on a confidential basis by Tartaros Investment Partners s.a.r.l. (T.I.P.) solely for the information of those persons to whom it is transmitted. This document is neither advice nor a recommendation to enter into any transaction with T.I.P. This document is proprietary information of T.I.P and may not be reproduced or otherwise disseminated in whole or in part without T.I.P.'s written consent. Opinions offered constitute our views and are subject to change without notice. We believe the information contained herein is reliable, but do not warrant its accuracy or completeness.

1 General Overview

Monday, 10 October 2011

When I was 17, I read a quote that went something like: "If you live each day as if it was your last, someday you'll most certainly be right." It made an impression on me, and since then, for the past 33 years, I have looked in the mirror every morning and asked myself: "If today were the last day of my life, would I want to do what I am about to do today?" And whenever the answer has been "No" for too many days in a row, I know I need to change something.

Remembering that I'll be dead soon is the most important tool I've ever encountered to help me make the big choices in life. Because almost everything – all external expectations, all pride, all fear of embarrassment or failure – these things just fall away in the face of death, leaving only what is truly important. Remembering that you are going to die is the best way I know to avoid the trap of thinking you have something to lose. You are already naked. There is no reason not to follow your heart.
- Steve Jobs, Stanford University Commencement, June 2005.

Dear Partners:

The Fund finished the second quarter of 2011 -5,56% in the red, versus -11,23% for the MSCI World Index (in €) and versus -23,48% for the Eurostoxx 50 (cf. graphs attached to email). Year to date the Fund is down -9.27%. The Net Asset Value of the Fund is 186,16. We currently – at the time of writing – have a 38% 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)*

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	5,19	-0,68	-0,32	-3,89	4,8	2,63	2,18	10,45	4,74	32,64
Msci world	-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

TARTAROS SICAV-FIS, S.C.A.
287, route d'Arlon
L-1150 LUXEMBOURG

TARTAROS INVESTMENT PARTNERS sàrl
7, route d'Esch
L-1470 LUXEMBOURG

Returns % (in € - net of all fees)*

2011	*jan*	*feb*	*mar*	*apr*	*may*	*jun*	*jul*	*aug*	*sep*	*oct*	*nov*	*dec*	*ytd*
Fund	-3,87	4,63	1,85	-1,72	0,29	-4,84	2,58	-1,53	-6,51				-9,27
Msci world	-0,27	2,27	-3,83	-0,57	0,76	-2,16	-0,56	-8.48	-2.45				-14,56

*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.

Ad nauseam

The global credit card is maxed out and governments are desperately trying all kinds of things to get the economy going. We should all expect greater volatility across the entire range of financial markets for the coming years. It's tough to be the children of the children of the bull market.
- Tartaros 2011 Q2 Investment Letter

Since our first quarterly investment letter in 2009 we have been writing about the fact that contrary to the past 30 years – a period in time we like to call the era of the children of the bull market, when the financial markets had the wind at their tails – we have been and will be facing headwinds, based on the following issues:

(1) Over the past 30 years, debt has risen relentlessly across the industrial world. Looking at the average weighted by GDP, total non-financial (government, consumer and corporate) debt rose by approximately 168 percentage points of GDP from 1980 to to just above 360% of GDP today. Borrowing has been the answer to all economic troubles of the past 30 years. All the so-called growth of GDP has been just one big illusion built on a humongous mountain of debt. Now borrowing (i.e. debt) itself has become the problem. We have come at the end of the debt super cycle.

(2) Markets and its participants (us!) will have to come to grips with the growing involvement of governments as financial market managers (change in accounting and financial market rules, etc.) and the unintended consequences of their decisions. Everything is done trying to cover up the problem.

(3) The banking crisis of 2008 has morphed into a government (financing) crisis (the debt and all its inherent problems were socialized). Nothing has changed. The crisis of 2008 is still here. There are only five ways to get out of this debt crisis:

1) raise GDP; yeah, right!
2) lower interest rates on borrowing / get bailed out by somebody; tried it and it doesn't work.
3) fiscal pain; if everybody saves, there is nobody left to spend (cf. the paradox of thrift illustrated in real-time in Greece)
4) outright default; but then you need more money (read debt) for saving the banks.
5) print money; it's the only option!

As we have mentioned before, based on these top down considerations, history strongly suggests that long-term returns (10-year and more) looking ahead are likely to be similar to the returns of the past decade and thus low. Moreover, because we are in massive deleveraging cycle with growing involvement of governments, frequent bouts of extreme volatility are unlikely to disappear any time soon.

We invest bottom-up, but worry top-down. So whenever we invest, we always have these macro-economic considerations at the back (and front, for that matter) of our minds. Unfortunately (since everything hinges on political decisions), we do not know how the unfolding events will play out, but we strongly believe that the only way out of this mess for Europe (as for the other developed nations such as

the United States, the United Kingdom and Japan) is the printing of money. We are worriers at heart and although we don't want to sound like prophets of doom, we are convinced that if Europe hesitates too long, this whole mess might unravel…

It should be stressed that we are more than comfortable with the current portfolio set-up:

- loads of cash; which is a hedge on its own against all kinds of unfavorable outcomes and has huge optionality value
- defensive value investments; cheap has become cheaper or even very cheap, because unfortunately there is no such thing as perfect timing
- macro hedges; they still have their work to do
- no financial sector related investments at the moment

We are (and have been) positioned defensively, because it is more important to ensure survival under negative outcomes (long term overall market risk is still skewed to the downside, or at least there is no huge upside) than it is to aim for maximum returns under favorable ones.

The arrival of inhuman volatility… and a quarter of frustration…

The last two months have been truly unseen in terms of market action. We are now in an environment where all financial assets, including currencies (e.g. the Swiss Franc's 9.5% depreciation against the US dollar on September 6th, 2011), can change 10% or more in a single week or single day. It seems that the markets (and we are the markets) are oscillating between fear, anger and disbelief. Investor psychology has always had the power to cause a security to be priced just about anywhere in the short run, regardless of its fundamentals. But the market psychology of today causes insane volatility. A hedge fund manager recently dubbed this the arrival of the age of inhuman volatility. We happen to agree…

We are extremely frustrated with recent quarter and the (downwards) volatility we lived through. It's hard to believe but in the beginning of September we were still hugging the break-even level on a year to date basis. Our frustration is borne out of the fact that we felt that we came well prepared into the recent market turmoil. We had and still have a huge cash balance, a set of value investments and a set of macro hedges disguised as "regular" equities. Our value investments were holding up really well until the middle of September when they got puked out with the rest of the equity markets. Soon our macro hedges followed.

Declining markets make you feel dumber than you are, the same way bull markets make you feel smarter than you are. Feeling dumb makes you do the opposite of what you should be doing. Fear and pain – yes, continued losses cause a lot of mental pain – are dangerous things because they can make us panic, lose confidence, and do the opposite of what you should be doing. We have and will keep our eye on the long term.

Despite the negative sentiment out there, investors should remember there will always be highs and lows, peaks and troughs: the importance is remembering to be humble when you're at the peak and resilient when you're in the trough. As always, it is simple but not easy.

We have our eggs in the same basket

"Compared with their predecessors, modern investors concentrate too much on annual, quarterly, or even monthly valuations of what they hold, and on capital appreciation… and too little on immediate yield … and intrinsic worth."
- John Maynard Keynes

In the end, we think like owners and act like owners, because we are owners. We have high absolute and relative amounts of our net worth in the Fund. So it goes without saying that no-one feels more frustrated and disappointed about the Fund's performance over the past nine months than we do.

The stated long-term investment objective remains the same to (1) roughly keep up with rising equity markets, (2) sharply outperform falling markets – even though we will and have to accept negative results from time to time – and (3) ensure that we avoid black swan risks at all times.

We acknowledge and have acknowledged (cf. 2011 Q2 Investment Letter) that the current markets have risks, but believe that with thorough analysis and a willingness to invest over an extended horizon, it is possible to allocate capital to investments that are more than likely to reward the patient investor.

In the world of investing it is impossible to be consistently right: we are in the business of making mistakes, but we try to make as few mistakes as possible. Being consistently right at the right time is even more impossible. This is where patience comes into play. We have always recommended that partners in the Fund judge the performance over a period of four years or greater. This should prove to be the most fruitful way to participate in and evaluate the Fund's strategy.

Short-term performance (monthly, quarterly or yearly) has always been the fabric of the investment "industry". The more volatile the markets, the more people shorten their investment horizon (everybody becomes a trader). Ironically, at a time when markets are volatile, short-term price action has even less informational value, but nonetheless market participants seem to use weekly and daily performance measures as the new yardstick today. Your support allows us to have an important edge in that regard.

Housekeeping and next update

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

As always, please email or call us with any questions or comments you have! We are at your disposal!

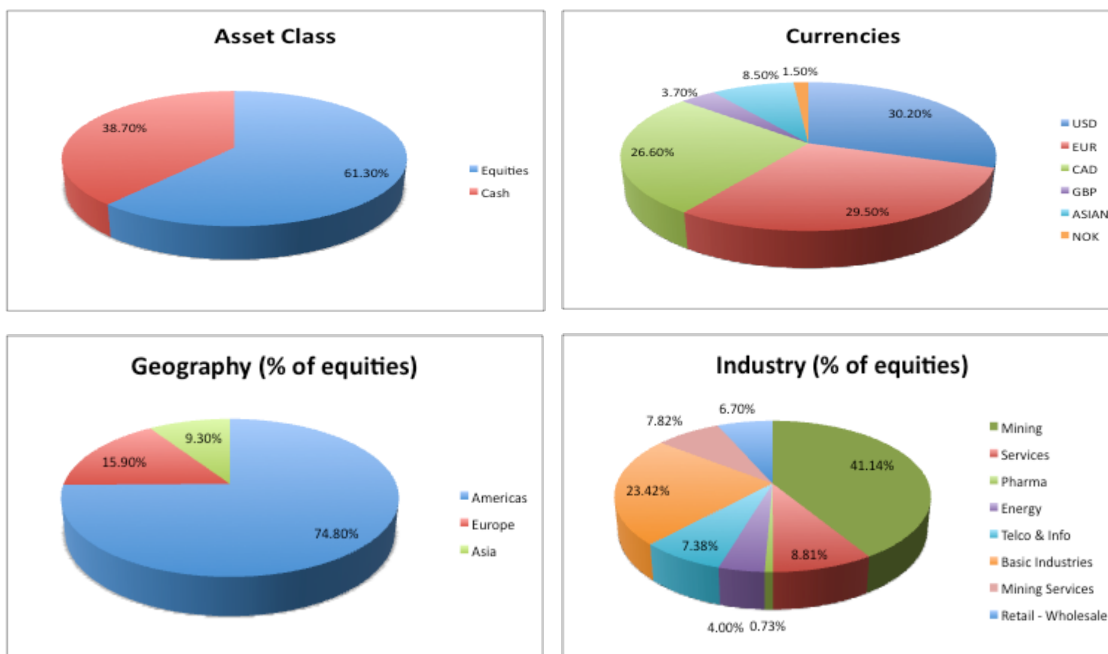
We would like to thank you for your interest and support!

Regards,

The Tartaros Team

2 Fund Overview

2.1 General Overview (end of Q3 2011)



2.2 Fund Positions

We have no short positions and no leverage. We are invested long across 32 investment positions.

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	38,70%
Investment 1	5,46%
Investment 2	4,52%
Investment 3	4,01%
Investment 4	3,66%

It should be noted that all numbers are approximations.

Disclosures: This document is being provided on a confidential basis by Tartaros Investment Partners s.a.r.l. (T.I.P.) solely for the information of those persons to whom it is transmitted. This document is neither advice nor a recommendation to enter into any transaction with T.I.P. This document is proprietary information of T.I.P and may not be reproduced or otherwise disseminated in whole or in part without T.I.P.'s written consent. Opinions offered constitute our views and are subject to change without notice. We believe the information contained herein is reliable, but do not warrant its accuracy or completeness.

TARTAROS SICAV-FIS, S.C.A.
287, route d'Arlon
L-1150 LUXEMBOURG

TARTAROS INVESTMENT PARTNERS sàrl
7, route d'Esch
L-1470 LUXEMBOURG