1 General Overview

Thursday, 5 January 2012

By the end of 1973, the market value of Berkshire's portfolio, which had cost a total of $52 million, had sunk to only $40 million. His paper losses worsened significantly in 1974. His net worth, as measured by Berkshire's prices, fell by half. Yet it seemed to dampen his spirits not at all. In the sixties, when he had been making tons of money, he had been full of fearful prophecies. Now, with his portfolio underwater, he was salivating.
- Warren Buffett: the making of an American capitalist, Roger Lowenstein

Dear Partners:

The Fund finished the fourth quarter of 2011 6,93% in the plus, versus 11,78% for the MSCI World Index (in €) and versus 6,28% for the Eurostoxx 50 (cf. graphs attached to email). Year to date the Fund is down -2,98%. The Net Asset Value of the Fund is 199,07. We currently – including new inflows – have a 39,5% 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
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	1,74	4,99	0,11	-2,98
Msci world	-0,27	2,27	-3,83	-0,57	0,76	-2,16	-0,56	-8.48	-2.45	6,33	1,49	3,58	-4,59

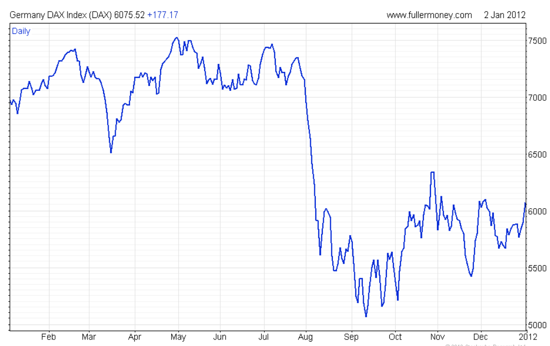
*The MSCI World is a stock market index of "world" stocks. It is maintained by M.S.C.I., formerly Morgan Stanley Capital International. The index includes equities from 23 countries, and has been calculated since 1969.
*Please note that individual investor net returns will vary due to the timing of one's investment. The 2011 results reported above are unaudited estimates and may be subject to change.

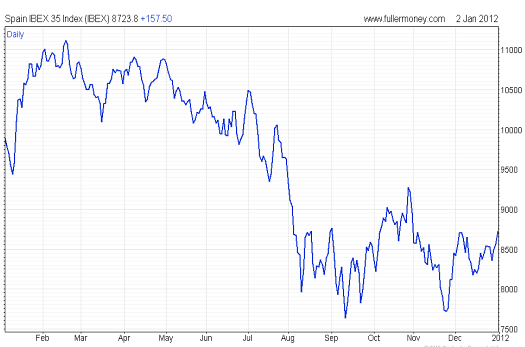
Just three words…

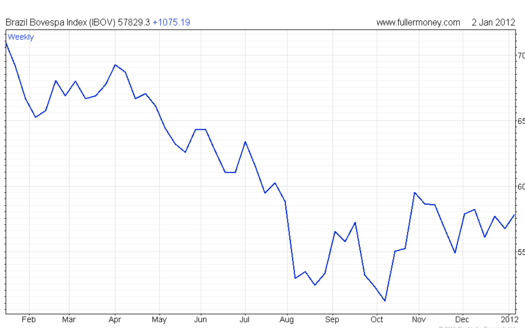
Just three words are enough to describe 2011!

(1) Correlation. The level of correlation between stocks has never been higher, as calculated by Bianco Research and mentioned in the December 16 issue of Grant's Interest Rate Observer: "If one correlates each of the individual stocks in the S&P500 to the index itself over a 50 day period, the average correlation hit 86% in October and is still near 80% today. No other period since the inception of the index (i.e. with reverse engineering, to 1926) has yielded a higher correlation, not during the Great Depression, rampant inflation of the 1970s, the stock market crash of 1987 or even during the financial crisis of 2008. In the entire history of the S&P, there has never been a day when all 500 stocks in the index go up or all 500 go down. There have been 11 days when 490-plus stocks all moved in the same direction on a given day. Of those 11 instances, six have occurred since July 2011."

(2) Volatility. We'll let the charts speak for themselves…







(3) Frustration. Throw in some multiple contraction across lots of sectors – investors are paying less for the same or growing amount of earnings – and you end 2011 with a lot of (investment) frustration. Within the investment community at large (private banks, family offices, traders, retail investors, etc.) we hear all kind of reactions: traders who wished they had traded less and traders who wished they had traded more; private banks who have to deal with very, very nervous clients; retail investors who capitulated and completely abandoned the stock markets at the beginning of last fall, vowing never to return and touting residential real estate as the new ultimate safe investment (we have a certain feeling about how that will end); family offices who talk about economic uncertainty as the reason for avoiding the public equity markets, but who are still making private equity investments (we think they prefer the illusionary comfort of not having daily quotations on their investments);…

Warren Buffett wrote a very long time ago – 1966 Partnership Letter – that he is not in the business of predicting general stock market fluctuations. We are in the same boat. We don't invest based upon what other people think the stock market is going to do, but upon what we think the company is going to do. The course of the equity markets will determine, to a great extent, when we will be right, but the accuracy of our investment analysis will largely determine whether we will be right. In that respect, we recently asked one of you – a retired entrepreneur – if he thought that ceteris paribus his privately owned business was worth less just because the stock market was down an X amount. You know what we would answer!

The mantra stays the same!

Ben Graham, my friend and teacher, long ago described the mental attitude toward market fluctuations that I believe to be most conducive to investment success. He said that you should imagine market quotations as coming from a remarkably accommodating fellow named Mr. Market who is your partner in a private business. Without fail, Mr. Market appears daily and names a price at which he will either buy your interest or sell you his.

Even though the business that the two of you own may have economic characteristics that are stable, Mr. Market's quotations will be anything but. For, sad to say, the poor fellow has incurable emotional problems. At times he feels euphoric and can see only the favorable factors affecting the business. When in that mood, he names a very high buy-sell price because he fears that you will snap up his interest and rob him of imminent gains. At other times he is depressed and can see nothing but trouble ahead for both the business and the world. On these occasions he will name a very low price, since he is terrified that you will unload your interest on him.

Mr. Market has another endearing characteristic: He doesn't mind being ignored. If his quotation is uninteresting to you today, he will be back with a new one tomorrow. Transactions are strictly at your option. Under these conditions, the more manic-depressive his behavior, the better for you.

But, like Cinderella at the ball, you must heed one warning or everything will turn into pumpkins and mice: Mr. Market is there to serve you, not to guide you. It is his pocketbook, not his wisdom, that you will find useful. If he shows up some dayin a particularly foolish mood, you are free to either ignore him or to take advantage of him, but it will be disastrous if you fall under his influence. Indeed, if you aren't certain that you understand and can value your business far better than Mr. Market, you don't belong in the game. As they say in poker, "If you've been in the game 30 minutes and you don't know who the patsy is, you're the patsy."
- Warren Buffett

It is obvious that the markets have been very unfriendly to investors in 2011, with extreme correlation and volatility due to significant macroeconomic headwinds that might have extremely binary outcomes. But in the end, the investment mantra stays the same. If you want to achieve long term investment success, keep it simple. Decide what your investment goals are. Put in place a rational investment process

– we suggest a process based on the value investment philosophy – to achieve them and then work smart and hard, and, above all, be patient.

It's our job to remain opportunistic and find significantly undervalued investments in this extremely volatile environment. So we continue to implement our value investment strategy with caution, searching for risk/return asymmetry in all of our investments. Volatility and correlation creates (investment) fear and fear amplifies the importance of conviction borne of independent thinking. As always, stay patient and disciplined.

Housekeeping and next update

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

Since no new high-watermark has been reached, subscriptions made from the end of December 2010 to September 2011 will not be converted into the lead series A shares.

Please email or call us with any questions or comments you have!

We would like to welcome two new partners and would like to thank you, as always, for your support!

Happy New Year!

The Tartaros Team

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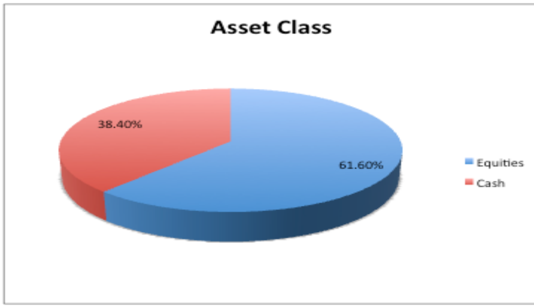
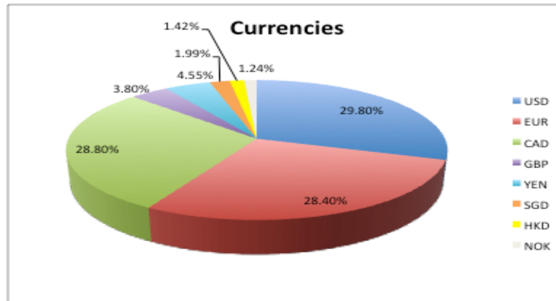
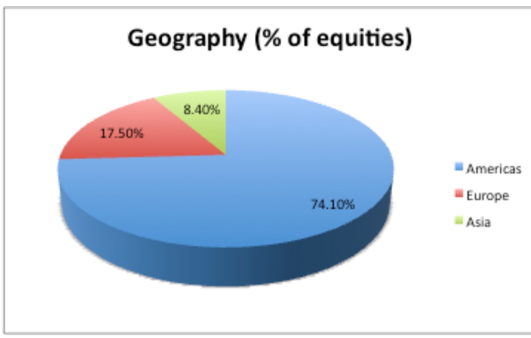
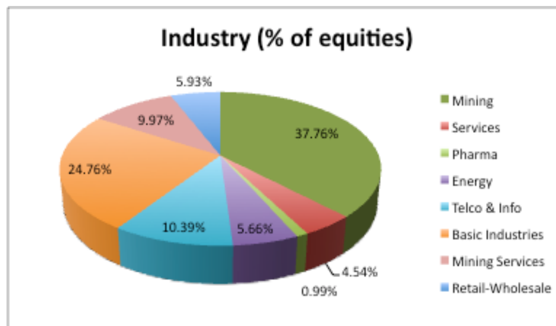
2 Fund Overview

2.1 General Overview (end of Q4 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	13%
1< 5 Billion	25%
0,5 < 1 Billion	6%
< 0,5 Billion	56%

Position	*% of portfolio*
Cash	38,40%
Investment 1	4,74%
Investment 2	4,29%
Investment 3	4,26%
Investment 4	4,25%
Investment 5	3,94%

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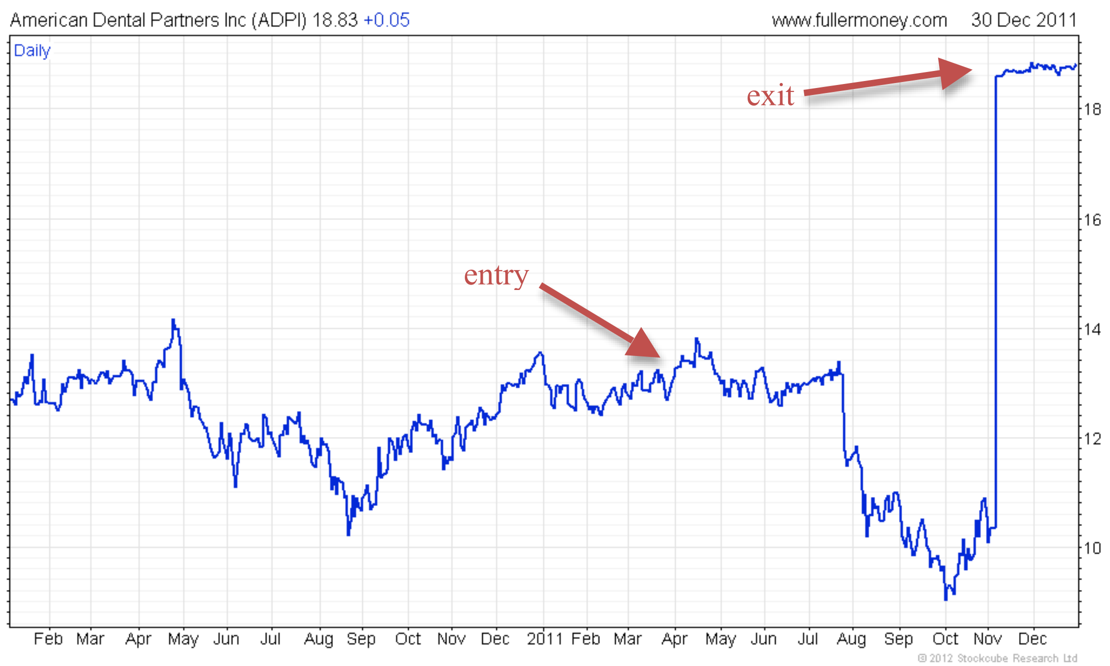
We sold the following investments:

Disinvestment	*Entry Price*	*% of Portfolio*	*Return*	*Annualized Return*
American Dental Partners*	13,35 usd	4,33%	49,30%	76,29%
Karelia Tobacco	63,09 eur	0,46%	-4,9%	-2,76%

* Take-over by private equity firm. A small example why patience is paramount and investing in the stock market is never binary (all in or all out)!



It should be noted that all numbers are approximations.