1 General Overview

Monday, 7 October 2013

"Experience tends to confirm a long-held belief that being prepared, on a few occasions in a lifetime, to act promptly in scale, in doing some simple and logical thing, will often dramatically improve the financial results of that lifetime. A few major opportunities, clearly recognizable as such, will usually come to those who continuously search and wait, with a curious mind that loves diagnosis involving multiple variables. And then all that is required is a willingness to bet heavily when the odds are extremely favorable, using resources available as a result of prudence and patience in the past."
- Charlie Munger

In investment management today, everybody wants not only to win, but to have a yearly outcome path that never diverges very much from a standard path except on the upside. Well, that is a very artificial, crazy construct. That's the equivalent in investment management to the custom of binding the feet of Chinese women…
- Charlie Munger

Dear Partners:

The Fund finished the second quarter of 2013 4,78% in the black, versus +4,28% for the MSCI World Index and versus 8,99% for the Eurostoxx 50 (cf. graphs attached to email). The Net Asset Value of the Fund is 190,56 (cf. part 2.3 for all series' NAVs). We currently have – before new subscriptions – a 34,27% 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)*

2013	*jan*	*feb*	*mar*	*apr*	*may*	*jun*	*jul*	*aug*	*sep*	*oct*	*nov*	*dec*	*ytd*
Fund	-2,83	-1,58	3,38	-5,00	-1,13	-2,15	2,22	2,76	-0,25				-4,80
Msci world	2,28	3,41	2,30	2,89	0,28	-3,24	4,24	-2,56	2,68				12,67

*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 2013 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*
Annualized	*17,97*	*1,98*	*0,20*	*7,62*	*3,69*	*3,58*
Cumulative	*100,55*	*8,70*	*0,85*	*36,64*	*16,65*	*16,12*
80% of traditional funds underperform 0.5% of traditional funds outperform more than 3% over the very long term						

The markets must be right? Right?

For some reason, people take their cues from price action rather than from values. What doesn't work is when you start doing things that you don't understand or because they worked last week for somebody else. The dumbest reason in the world to buy a stock is because it's going up.
- Warren Buffett

We are nine months into 2013 and stock markets, led by the US and Japan, are rallying. And yet corporate earnings offer no great support, companies are talking down their prospects, and the gap between the US and the rest of the world is widening.

According to Bloomberg data, trailing 12-month earnings per share for the S&P 500 are 16 per cent above their level of October 2007 (when both earnings and share prices peaked before the financial crisis). On the same basis, earnings for the MSCI EAFE index, covering the rest of the developed world, are down 37 per cent. Those for the FTSE-Eurofirst 300 are down 42 per cent. Companies in MSCI's World excluding the US index have suffered an average 6.5 per cent decline in earnings over the past year. Earnings are down 24 per cent from its peak. Earnings for the MSCI emerging markets index are up since October 2007 – but by only 13 per cent, having peaked and started to decline two years ago.

Look closely at the raw numbers for the US (with thanks to the regular Equity Market Arithmetic research produced by Société Générale's Andrew Lapthorne), and they turn out to be less inspiring. S&P 500 companies are on course to increase earnings by less than 2 percent year on year for the third quarter. But they have declined by more than 5 percent once financials are excluded. During those 12 months, bear in mind, the S&P gained almost 20 per cent, and its financials index gained 33 per cent.

- Source: Baffling recovery of the profitless stocks - FT - John Authers - August 11, 2013 -

So is the market right for having climbed over the past year? The market holds no collective wisdom, but is the sum of all buying and selling of all kinds of financial market participants. Most investors – really speculators – mistakenly look to Mr. Market to tell them what to do.

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When the market quotes a lower price for a security, people, unmindful of the market's irrationality, rush to sell their investments, ignoring their own assessment of intrinsic value. – It's actually worse than this. Most people (investors?) do not even have an own assessment of underlying investment value. Other times – the other side of the same coin – they see the market raising prices higher and higher and, trusting his "wisdom", buy in at the higher price as if the market knows more than they do.

The reality is that Mr. Market knows nothing. The market (price) is the product of the collective action of thousands and thousands of buyers and sellers who themselves are seldomly motivated by investment fundamentals. Investors who let their emotions take the best of them inevitably lose money (by buying high and selling low); investors who ignore market's periodic irrationality (and volatility), by contrast, have a good chance of achieving long-term investment success.

Of course, all of this is easier said than done! Because in all his irrationality the market can be very "cruel" by making you look like an idiot – buy selling too soon and buying too soon - most of the time. And nobody wants to look like an idiot! The investment public at large prefers the comfort of the herd (i.e. the market (price)). But that's the core of the whole investment conundrum: if you want different results from the herd (outperform the market), you need to do different things and accept that you will look like a complete idiot from time to time (cf. Q2 Investment Letter - the best of the best: mental capital vs real capital).

So what can we do? Valuation is to the financial world what gravity is to the real world. We are not wizards that can divine the future, but we do know that in the long run there is no escaping the financial law of gravity (i.e. valuation). Value investing is simple to understand but difficult to implement. Moreover, it is one thing to do the right thing. But it is almost impossible – only by sheer luck – to do the right thing at the right time. It is not about quasi-sophisticated analytical wizardry. It is all about discipline, patience, and (investment) judgment… and a thick skin!

When investment opportunities are abundant, you do not only need the judgment to find the opportunities, but also the courage to act upon your own judgment. Today, we are in an investment environment where the reverse applies. So today you need the courage to be patient, to do nothing. Doing nothing is of course viewed as negative in the investment world. You need to do something all the time. But doing nothing is often the smartest you can do. Just sitting back and waiting for investment opportunities seems to be toughest thing in the investment world, especially when you look like an idiot doing it.

Him again?

"Charlie has such a deep sense of stoicism," says a longtime friend, Christopher Davis, chairman of New York-based fund manager Davis Advisors. "He seems to be able to invert emotions, becoming uninterested when other people are euphoric and then deeply engaged when others are uncertain or fearful."

Mr. Munger favors what he calls "sitting on your a—," regardless of what the investing crowd is doing, until a good investment finally materializes.

In the panic that typically produces such an opportunity, Mr. Munger ruminates. If he likes what he sees, he pounces.

"Charlie knows exactly what he thinks, and the fact that other people don't agree has no impact on him," says his friend John Frank, managing principal at Oaktree Capital Management in Los Angeles. "He doesn't get confused about the difference between an emotional feeling and an intellectual understanding."

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Many money managers spend their days in meetings, riffling through emails, staring at stock-quote machines with financial television flickering in the background, while they obsess about beating the market. Mr. Munger and Mr. Buffett, on the other hand, "sit in a quiet room and read and think and talk to people on the phone," says Shane Parrish, a money manager who edits Farnam Street, a compelling blog about decision making.

"By organizing their lives to tune out distractions and make fewer decisions," he adds, Mr. Munger and Mr. Buffett "have tilted their odds toward making better decisions."

- Source: Charlie Munger: Lessons From an Investing Giant - WSJ - Jason Zweig - August 30, 2013 -

Next update

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

Thank you for your support!

The Tartaros Team

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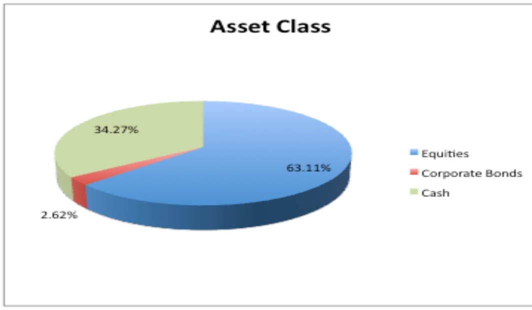
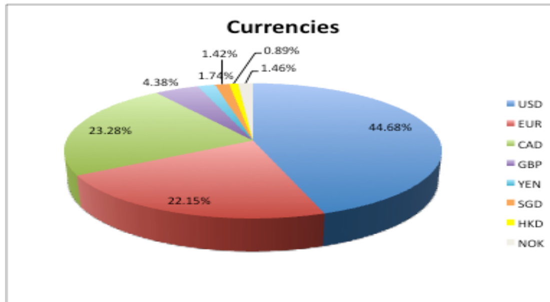
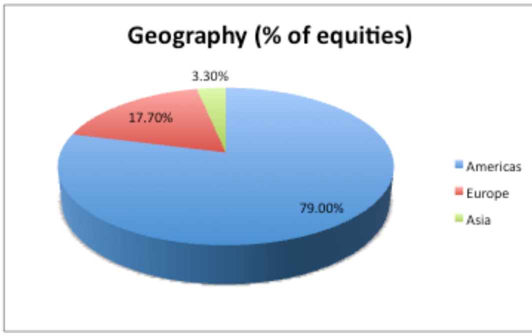
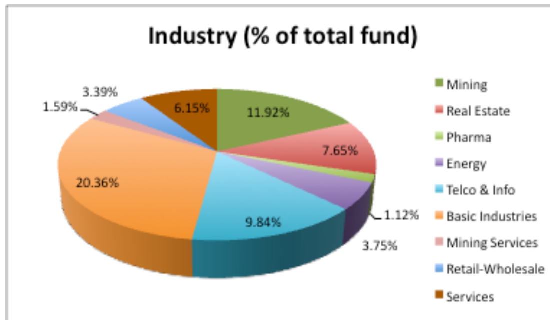
2 Fund Overview

2.1 General Overview (end of Q3 2013)









2.2 Fund Positions

We have no short positions and no leverage. We are invested long across 35 investment positions.

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

Market Capitalizations in USD	*% of equities invested*
> 5 Billion	23%
1< 5 Billion	23%
0,5 < 1 Billion	6%
< 0,5 Billion	48%

Position	*% of portfolio*
Cash	34,27%
Investment 1	4,19%
Investment 2	3,74%
Investment 3	3,56%
Investment 4	3,51%
Investment 5	2,93%

It should be noted that all numbers are approximations.

2.3 NAV series

Série A 1 LEAD	190,56
Série B 3 31/12/10	92,87
Série C 5 31/03/11	90,66
Série D 7 30/06/11	96,67
Série E 9 30/09/11	101,60
Série F 13 31/12/11	95,72
Série G 15 31/03/12	94,34
Série H 17 30/06/12	99,32
Série I 19 30/09/12	91,21
Série J 21 31/12/12	95,21
Série K 23 31/03/13	96,29
Série L 25 30/06/13	104,78