1 General Overview

Wednesday, 3 April 2019

"Do you have the patience to wait until your mud settles, and the water is clear? Can you remain unmoving until the right action arises by itself?"
- Lao-tzu

Dear Partners:

The Fund finished the first quarter of 2019 7,28% in the plus, versus +12,23% for the Eurostoxx 50 and versus +13,89%% for the MSCI World Index. The Net Asset Value of the Fund is 210,53 (cf. part 2 for a more detailed Fund overview, for detailed return results and the NAVs of all series).

Returns % (in € - net of all fees)*

2019	*jan*	*feb*	*mar*	*apr*	*may*	*jun*	*jul*	*aug*	*sep*	*oct*	*nov*	*dec*	*ytd*
Fund	3,88	2,20	1,04										7,28

*Please note that individual investor net returns will vary due to the timing of one's investment. The 2019 results reported above are unaudited estimates and may be subject to change.

What?! (1)

"As you can see from Exhibit 4, US wealth-to-GDP now exceeds 500%; i.e. it must drop 25-30% to re-establish the long-term mean value. That can happen in two ways. Either GDP grows faster than wealth for an extended period of time, or 25-30% of all US household wealth is destroyed.

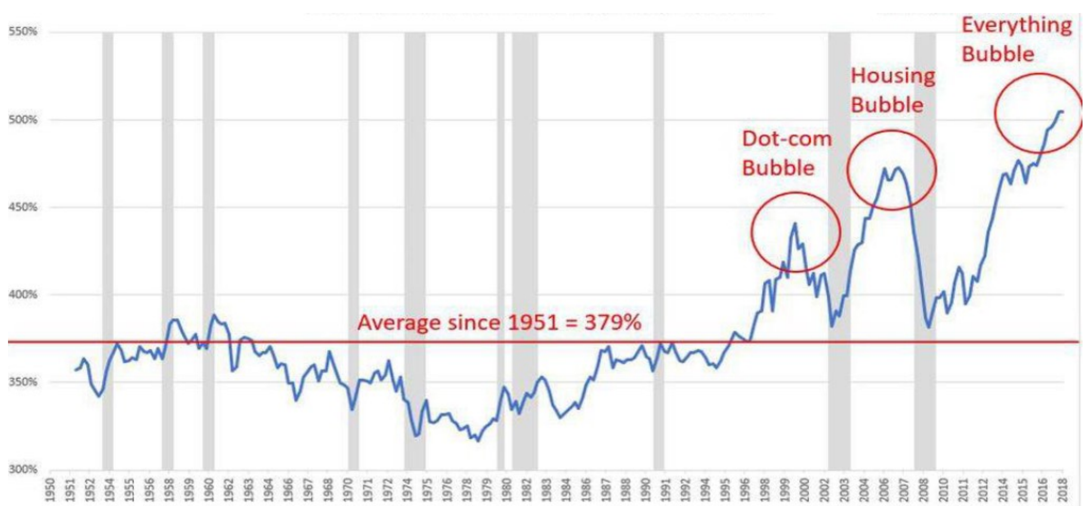
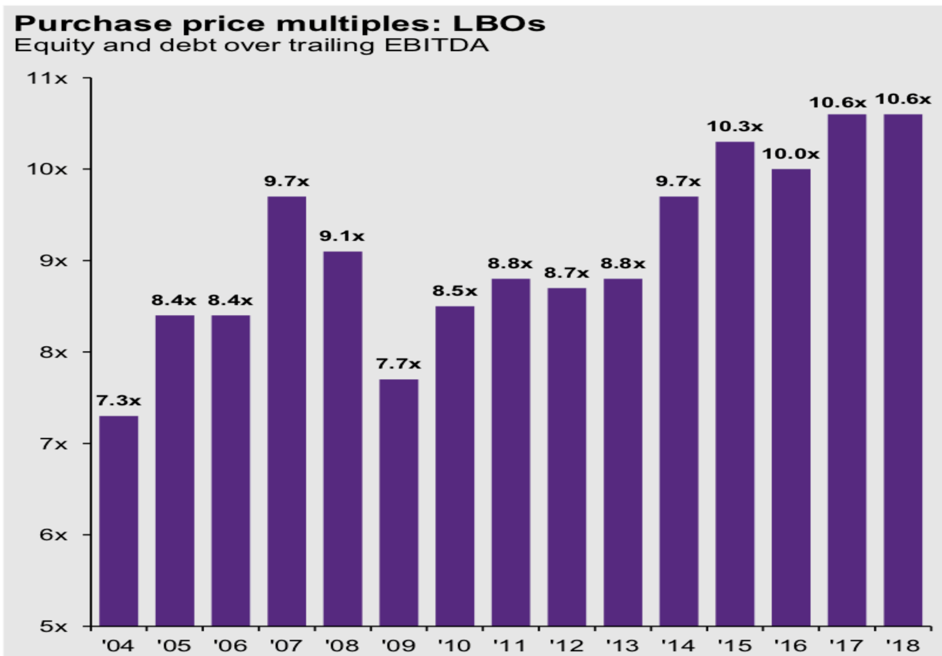


Exhibit 4: Total household wealth-to-GDP (US only) from The Deviant Investor

The three most important contributors to wealth in society are property, bonds and equities (in that order). Nobody knows which one of the three will take most of the impact. The economic theory behind says nothing about that. Neither does it provide any guidance on timing. It could all happen tomorrow morning, or we could still be years away, but mean-revert it will.”

Source: https://www.arpinvestments.com/arl/the-art-of-defaulting

What?! (2)



Source: https://am.jpmorgan.com/blobcontent/1383608818864/83456/MI-Guide+to+Alternatives_1Q19_FINAL.pdf

What?! (3)

“The amount of government debt with negative yields rose back above the $10tn mark this week, as central banks abandoned plans to tighten monetary policy. The idea of investing in bonds where you are guaranteed to lose money — if you hold them to maturity — has always seemed paradoxical. But it begins to make sense in a world where you are sure to lose even more money if you stick the cash in a bank. Parking your money in German government bonds, for example, is also safer than trying to stuff millions of euros under your mattress.

More puzzling, however, is the negative-yielding corporate bond, a phenomenon that turns the idea of credit risk on its head. Here investors, in effect, pay for the privilege of lending to companies.

The evidence is everywhere.

French oil major Total raised a perpetual bond — debt it never has to pay back — at an interest rate of just 1.75 per cent on Wednesday. UniCredit saw €5bn of orders for its perpetual bond this month as buyers' recent concerns about Italian banks seemed to melt away. In the junk bond market, car battery maker Power Solutions recently paid a yield of just 4.375 per cent for seven-year bonds, despite carrying more than six times as much debt as earnings.

That low rate is the highest the supposedly "high yield" bond market has seen in euros all year. And it is a much more concerning indicator of how far central banks are still distorting debt markets than any gyrations in ultra-safe government bonds."

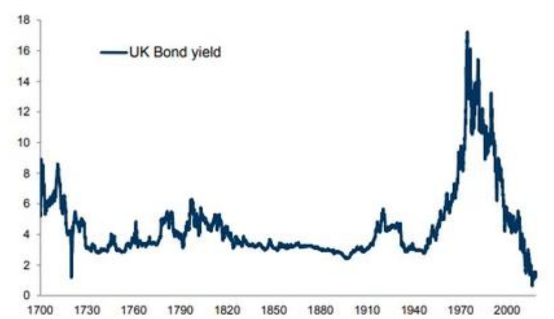
Source: https://www.ft.com/content/9edc1d1e-5086-11e9-9c76-bf4a0ce37d49

What?! (4)

Exhibit 9: 10y yield and 10y nominal GDP growth have trended together

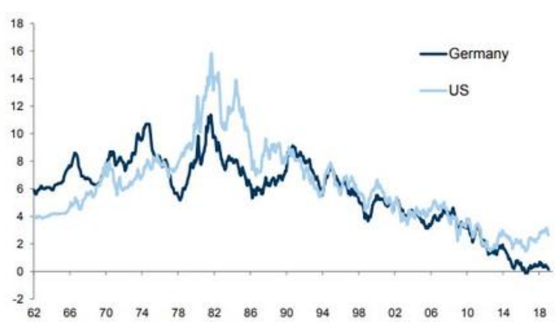
Source: Haver Analytics, Goldman Sachs Global Investment Research

Exhibit 10: UK bond yield since 1700 - currently close to all-time lows



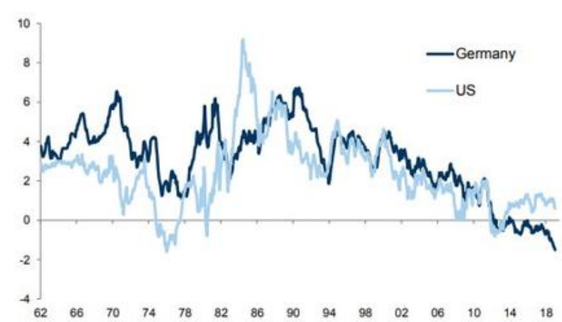
Source: GFD, Goldman Sachs Global Investment Research

Exhibit 11: 10y nominal yields are close to zero again in Germany...



Source: Datastream, Goldman Sachs Global Investment Research

Exhibit 12: ....and the German real yield is negative (10y nominal yield minus current inflation)



Source: Datastream, Goldman Sachs Global Investment Research

"This secular decline in global growth is consistent with the message sent from interest rates, as nominal bond yields have also continued to decline despite central banks now collectively owning about a third of global sovereign debt. As Goldman notes, "in the UK, where we have a very long history, 10-year bond yields have fallen back towards record lows since the 1700s. Meanwhile, in Germany, 10-year yields have collapsed and could fall further." As a result, nominal yields back below zero cannot be ruled out – during the QE period, both 2-year and 5-year Bund yields fell deeply into negative territory.

While one can argue if the ongoing secular decline in global economic output and the increasing deflationary pressure is the result of "zombifiction" or various other reasons, such as demographics, the impact of technology, excess global saving and a fall in term premia, whatever the reasons, the trend is clearly consistent with the prospects for a long period of weak growth.

Yet one place where corporate "zombification" is quite obvious, is in the parallel drop in corporate revenue growth. Indeed, the abovementioned declines in GDP and interest rates, both nominal and real, are consistent with Goldman's recent view that "profit growth is likely to remain modest for a long time and, with it, stock returns." For the impact of low nominal growth look no further than nominal sales growth, which has not only been slowing since the financial crisis, but is now the lowest on a 10 year rolling average basis, in history (excluding the great depression).

Exhibit 13: Top-line growth has been falling along with declining nominal GDP
yoy sales growth (10y rolling average), Market ex Financials

Source: Worldscope, Datastream, Goldman Sachs Global Investment Research

This is especially true in Europe, where one look at corporate revenue growth in just the past century shows a dramatic reversal: whereas at the start of the 21st century, high growth companies - those with revenue growth > 8% - dominated, the trend has reversed drastically in the past two decades, and as Goldman notes, there is clearly a lack of growth both economically and within the stock market in Europe, and currently the proportion of higher top line growing companies has contracted relative to those growing slowly."

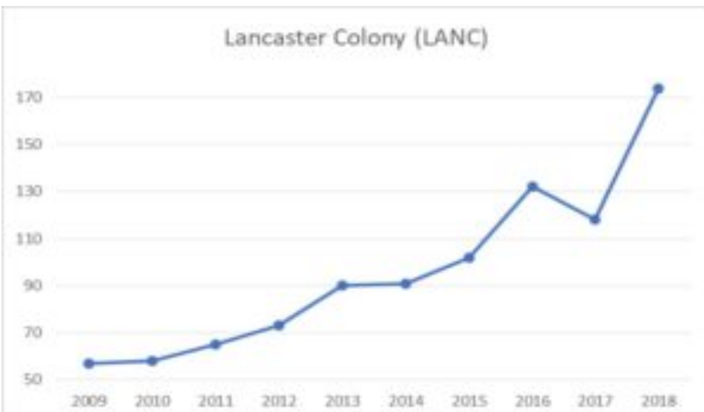
source: https://www.zerohedge.com/news/2019-02-17/world-full-zombies-global-revenue-growth-has-collapsed

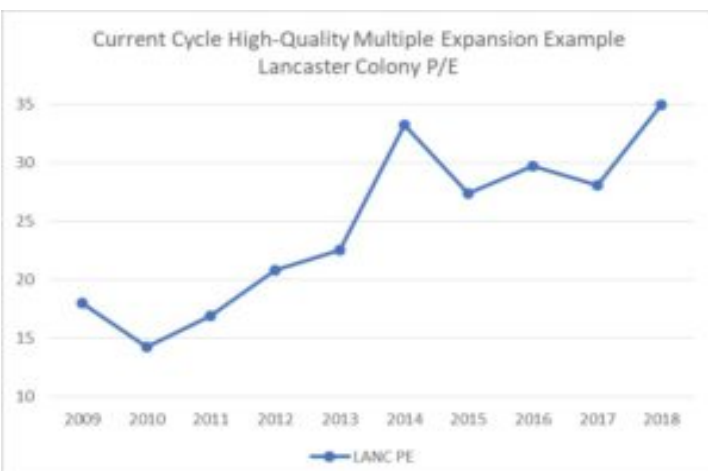
What?! (5)

Lancaster Colony (LANC) is a good example of a high-quality business that was ignored during the late stages of past cycles, but is cherished today. Founded in 1961, Lancaster Colony is a manufacturer and marketer of specialty food products. When I think of their business, I think of salad dressing, dinner rolls, and croutons. It's a boring but high-quality business with a strong balance sheet and consistent cash flows.

Before the bear market in 2000 began, Lancaster Colony was trading at 13x earnings and was priced as a value stock. Given its relatively low valuation, Lancaster Colony's stock provided investors with a healthy margin of safety heading into the bear market of 2000-2002. In fact, its stock was so attractively priced, it actually increased 58% while the Russell 2000 declined -44% from the 2000 peak to 2002 trough! During this period, owning Lancaster Colony and quality worked magnificently.

Currently trading at 35x earnings, I no longer consider Lancaster Colony a value stock. And that of course is the big difference between high-quality this cycle and when quality worked in the past – valuation! In the case of Lancaster Colony, the difference between 13x and 35x earnings is considerable. From a risk management perspective, it's the difference between swimming with a life jacket and a bag of cement.





Source: http://www.ericcinnamond.com/the-quality-conundrum/

Changes in the Fund's Portfolio (cf. 2.2. Fund Positions for more details)

At the end of March Aimia announced that they have adopted a new strategic business plan with the key objective of becoming a leading consolidator within loyalty and travel markets. They also expect a 25% reduction in total headcount to around 550 employees by the end of 2019.

The company also announced approval of a substantial issuer bid ("SIB") to repurchase up to 150 million usd – i.e. 25% of the company's 600 million usd of available cash – of its outstanding common shares.

Must reads

Whatever problem you're struggling with is probably addressed in some book somewhere written by someone a lot smarter than you.
- Ryan Holiday

A must read about the twenty craziest investing facts:

https://theirrelevantinvestor.com/2019/03/13/the-twenty-craziest-investing-facts-ever/

e.g. If you had invested from 1960-1980 and beaten the market by 5% each year, you would have made less money than if you had invested from 1980-2000 and underperformed the market by 5% a year.
When you were born > almost everything else

A must read about how nothing is safe when it comes to investing:

https://ofdollarsanddata.com/nothing-is-safe/

Administration and the next update

You should receive the next investment letter by the middle of July at the latest.

As always, please email or call us with any questions you have.

Thank you for your continued trust and support!

The Tartaros Team

2 Fund Overview

2.1 General Overview (end of Q1 2019)

	Asset Class
Equities	44,15%
Preferred Equities	1,38%
Corporate Bonds	0,22%
Cash	54,25%
	100,00%

	Currencies
USD	54,82%
EUR	4,58%
CAD	20,08%
YEN	12,03%
HKD	7,60%
NOK	0,89%
	100,00%

	Industry (as % of Fund)
Materials	8,67%
Industrials	9,02%
Healthcare	1,54%
Financial Services	6,13%
InfoTech	1,05%
Communication Services	10,57%
Utilities	0,65%
Real Estate	7,89%

2.2 Fund Positions

We have no short positions and no leverage. We are invested long in 22 positions.

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

Market Capitalizations in USD	*% of equities invested*
> 5 Billion	0%
1< 5 Billion	0%
0,5 < 1 Billion	18%
< 0,5 Billion	82%

Position	*% of portfolio*
Cash & Cash Equivalents	54,25%
Investment 1	6,13%
Investment 2	5,69%
Investment 3	4,42%
Investment 4	4,30%
Investment 5	3,75%

It should be noted that all numbers are approximations.

2.3 NAV Series

TARTAROS FIS SCA GLOBAL VALUE C1 A CAP	210,53
TARTAROS FIS SCA GLOB VALUE C2 CAP 311216	97,42
TARTAROS FIS SCA GLOB VALUE C3 CAP 310317	95,09
TARTAROS FIS SCA GLOB VALUE C4 CAP 300917	102,21
TARTAROS FIS SCA GLOB VALUE C5 CAP 280219	101,32
TARTAROS FIS SCA GLOB VALUE C6 CAP 310818	100.97

2.4 Return Overview

Below are the results of the Tartaros Global Value Fund for 2019; also shown is the return of two major market indices (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)*

2019	*jan*	*feb*	*mar*	*apr*	*may*	*jun*	*jul*	*aug*	*sep*	*oct*	*nov*	*dec*	*ytd*
Fund	3,88	2,20	1,04										7,28
Msci world	7,23	3,64	2,48										13,89
Eurostoxx 50	5,79	4,39	1,62										12,23

*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.
* The EURO STOXX 50 Index, Europe's leading Blue-chip index for the Eurozone, provides a Blue-chip representation of supersector leaders in the Eurozone. The index covers 50 stocks from 12 Eurozone countries.
*Please note that individual investor net returns will vary due to the timing of one's investment. The 2019 results reported above are unaudited estimates and may be subject to change.