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1 General Overview

Wednesday, 10 July 2019

We have more faith in what we imitate than in what we originate. We cannot derive a sense of absolute certitude from anything that has its roots in us. The most poignant sense of insecurity comes from standing alone; we are not alone when we imitate. It is thus with most of us.

- Bruce Lee

Dear Partners:

The Fund finished the second quarter of 2019 1,48% in the plus, versus +3,63% for the Eurostoxx 50 and versus +1,90% for the MSCI World Index.

Although it is obviously early days, we also had a very good start to the third quarter and are, at the moment, up 11% for the year.

The Net Asset Value of the Fund at the end of the quarter is 213,65 (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	1,01	-3,29	+3,89							8,87

*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)

“So there’s this famous book and the idea that people are either foxes or hedgehogs, right? And the difference is that the hedgehog has one big idea and the foxes have lots of small ideas. And I’ve always been a fox, not a hedgehog. And so I find it comes more easily to me than I think a lot of people, or some people. I think there are a lot of people like me; foxes as opposed to hedgehogs.

So I really do think that there is some kind of difference between people and their willingness or their ability to adjust or to adopt what I was describing earlier as a philosophy of profound agnosticism. To really confront the notion that you really don’t know and we can’t know certain things.

That’s so hard in this business, right? Because it’s so hard to make a living with profound agnosticism because, particularly in the investment world, there’s always someone out there who, if you tell a client, I don’t know, your client will find plenty people who tell them I do know, right? Come work with me because I do know, I do know the answer.

We all want to know the answers. And so that’s the hardest thing in the world from a business perspective to say, “I don’t know”. But I think to have that sort of authentic relationship with a client or with a boss or whoever you have to report to, **it’s imperative to develop and practice those simple words. I. Don’t. Know.**

Source: <http://blog.validea.com/five-questions-the-importance-of-narratives-with-ben-hunt/>

What?! (2)

While there is much debate about why this has happened — with some even claiming “value investing is dead” — one contributing factor is clear: growth’s dominance has been highly dependent on the ever-consolidating power of tech giants. Just consider the not-surprising, but still-shocking, chart below. Published earlier this month by Bloomberg’s John Authers, it shows FANG 6 earnings — Facebook, Amazon, Apple, Netflix, Google and Microsoft — relative to the rest of the MSCI world index over the past five years:

Disrupting Earnings Fang 6 Earnings Have Doubled in 5 Years

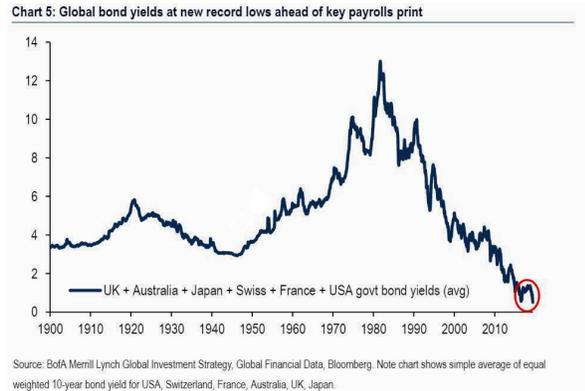
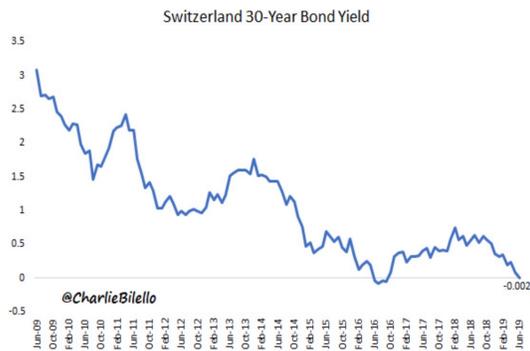
Normalized As of 05/02/2014 ■ Fang 6 ■ MSCI World excluding Fang 6



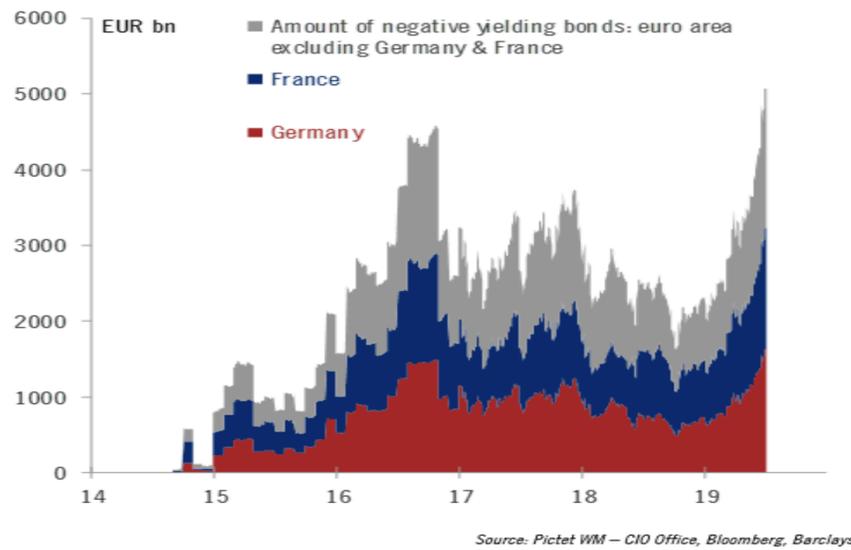
Source: <https://latest.13d.com/consolidation-diffusion-fang-investment-antitrust-facebook-f38a1d20ecbc>

What?! (3)

@CharlieBilello	The Negative Bond Yield Matrix													
Country	6-Mo	1-Year	2-Year	3-Year	4-Year	5-Year	6-Year	7-Year	8-Year	9-Year	10-Year	15-Year	30-Year	
Switzerland	-0.75	-0.64	-0.89	-0.91	-0.89	-0.87	-0.79	-0.76	-0.69	-0.63	-0.52	-0.29	-0.01	
Germany	-0.58	-0.68	-0.74	-0.76	-0.74	-0.68	-0.64	-0.58	-0.46	-0.40	-0.31	-0.10	0.27	
Netherlands	-0.59		-0.72	-0.70	-0.64	-0.61	-0.50	-0.42	-0.32	-0.25	-0.15	-0.01	0.30	
Japan	-0.13	-0.17	-0.20	-0.22	-0.23	-0.22	-0.22	-0.22	-0.21	-0.16	-0.12	0.07	0.36	
Denmark	-0.66		-0.70	-0.70		-0.68			-0.45		-0.28			
Austria		-0.54	-0.65	-0.63	-0.57	-0.47	-0.39	-0.28	-0.22	-0.14	-0.03	0.31	0.70	
Finland			-0.66	-0.63	-0.61	-0.54	-0.45		-0.19		-0.01		0.56	
Sweden	-0.40		-0.62			-0.55		-0.26			-0.01	0.18		
France	-0.59	-0.60	-0.68	-0.66	-0.62	-0.53	-0.41	-0.31	-0.21	-0.10	0.02	0.38	1.15	
Belgium	-0.57	-0.58	-0.60	-0.66	-0.60	-0.54	-0.42	-0.25	-0.14	-0.06	0.09	0.40		
Slovakia		-0.33					-0.24	-0.50		0.00	0.18	0.26		
Ireland	-0.41	-0.55	-0.45		-0.46	-0.39	-0.24	-0.14	0.45		0.22	0.58	1.16	
Slovenia		-0.48	-0.30			-0.31		-0.14			0.25			
Spain	-0.41	-0.39	-0.40	-0.34	-0.27	-0.21	-0.06	0.08	0.20	0.29	0.43	0.80	1.47	
Portugal	-0.38	-0.34	-0.37	-0.25	-0.17	-0.14	0.05	0.16	0.28	0.44	0.55	0.95	1.50	
Malta	-0.23	-0.20		-0.10		0.02					0.74			
Bulgaria		-0.13		-0.01		0.05		0.37			0.58			
Italy	-0.16	-0.02	0.22	0.71	1.03	1.31	1.53	1.61	1.77	1.82	2.12	2.45	3.17	
United States	2.19	2.03	1.81	1.75		1.78		1.89			2.03		2.52	



Euro area: amount of negative yielding debt



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

In the second quarter Aimia announced approval of a substantial issuer bid (SIB) to repurchase up to 150 million cad – i.e. 25% of the company’s 600 million cad of available cash – of its outstanding common shares.

Mittleman Brothers, which controls approximately 18,1% of Aimia's shares outstanding, had notified Aimia that it didn't plan to participate in the offer.

The tender was oversubscribed. And approximately 22,9% of the shares outstanding as at the time of the offer were purchased for cancellation at a purchase price of 4,30 cad per share; this is at a substantial discount to NAV.

Unfortunately (for the current NAV of the Fund) / fortunately (for the future NAV of the Fund) the (rejected) shares were sold down aggressively after the closing of the tender.



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Meanwhile the company has also announced:

1. More cash received for Aeroplan due to working capital adjustments and a release of restricted cash as tax issues with respect to the sale of Aeroplan were resolved.

<https://www.newswire.ca/news-releases/aimia-finalizes-post-closing-adjustments-resulting-in-final-aeroplan-sale-price-of-516-million-810652133.html>

2. A share buyback, starting June 6.

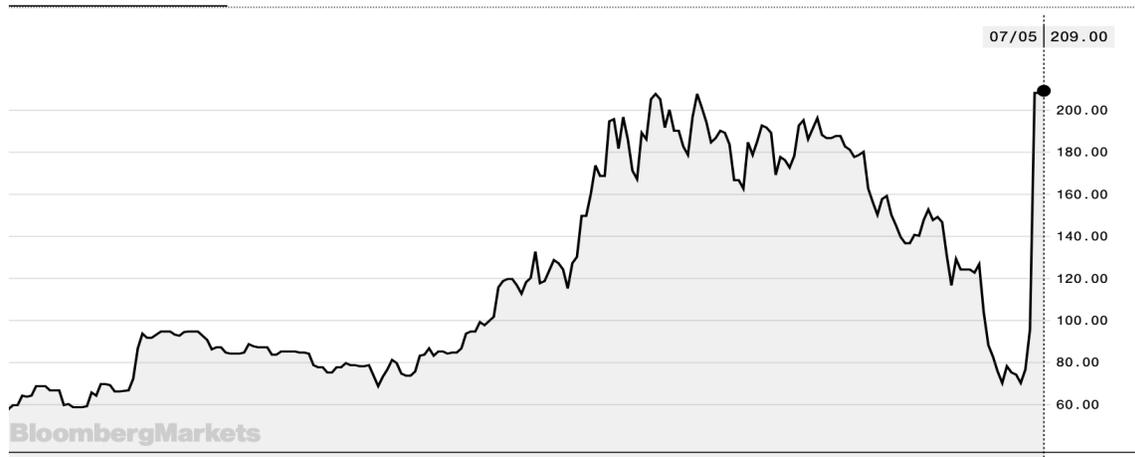
<https://www.newswire.ca/news-releases/aimia-announces-normal-course-issuer-bid-to-repurchase-up-to-8-9-million-shares-840974945.html>

Aimia already bought 2,15 million shares as part of the normal course issuer bid in June.

At the end of this quarter Ezc corp repaid its 195 million usd principal amount of 2.125% cash convertible senior notes due 2019 using cash on hand, consistent with the company’s previously announced intention of a more rational capital allocation strategy. The company also completed the acquisition of 7 pawn stores in Nevada. Ezc corp now owns and operates 985 pawn stores, with 515 in the United States and 470 in Latin America.

The Fund’s largest investment position is still trading at a single digit price earnings multiple. It should also be noted that the U.S. economy is well into an economic expansion phase where employment is strong and access to credit is good; this is not the part of the cycle where Ezc corp should expect to see robust demand for its services.

In that respect, we are still searching for and studying companies that do well when the overall economy is not doing well.



We were still building a position in Premier Technical Services Group – hat tip to our colleagues of Griffin – when, “unfortunately”, the company agreed to a take-over offer (cf. graph supra). The take-over offer for PTSG is just another example that the markets can be very inefficiently priced.

PTSG is currently a 5,11% position and will have delivered – at the take-offer price – a return of approximately 147% in a couple of weeks.

Must read

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 staying in the game (i.e. the most important thing is to make sure that you live to invest another day):

<https://ofdollarsanddata.com/the-will-to-survive>

A must read about the financialization of the (U.S.) economy:

<https://www.epsilontheory.com/this-is-water/>

A must read about keeping your personal maintenance capital expenditure low:

<https://www.collaborativefund.com/blog/the-biggest-returns/>

A must read about the high valuations paid for businesses with defensive but growing earnings and the very low valuations assigned to businesses whose earnings are subject to the vagaries of economic cycles:

<https://www.platinum.com.au/Insights-Tools/The-Journal/The-Appeal-of-the-Anti-Predictable>

Administration and the next update

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

The domiciliary of the Fund has the legal obligation to send the invitation for the general meeting of shareholders by registered mail, but if anyone wants to receive the invitation via email and save themselves a trip to the post office, please email the domiciliation department of Kredietrust Luxembourg (Maddy.ROOSE@kbl-bank.com / Aurelien.BARON@kbl-bank.com / Nathalie.FREISMUTH@kbl-bank.com).

Also, if you have any questions with respect to implications from CRS – i.e. an information standard for the Automatic Exchange Of Information regarding financial information on a global level, between tax authorities (cf. https://en.wikipedia.org/wiki/Common_Reporting_Standard) – for the Fund please let us know.

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

Enjoy the summer holidays!

The Tartaros Team

2 Fund Overview

2.1 General Overview (end of Q2 2019)

	Asset Class
Equities	46,39%
Preferred Equities	1,51%
Corporate Bonds	0,17%
Cash	51,93%
	100,00%

	Currencies
USD	53,89%
EUR	2,97%
CAD	18,22%
GBP	5,12%
YEN	11,99%
HKD	6,84%
NOK	0,97%
	100,00%

	Industry (as % of Fund)
Materials	14,88%
Industrials	8,23%
Consumer Discretionary	6,15%
Financial Services	6,12%
InfoTech	1,13%
Communication Services	9,89%
Utilities	0,68%
Real Estate	0,83%

2.2 Fund Positions

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

<i>Position</i>	<i>% of portfolio</i>
Cash & Cash Equivalents	51,93%
Investment 1	6,12%
Investment 2	5,46%
Investment 3	5,09%
Investment 4	3,84%
Investment 5	3,53%

It should be noted that all numbers are approximations.

2.3 NAV Series

TARTAROS FIS SCA GLOBAL VALUE C1 A CAP	213,65
TARTAROS FIS SCA GLOB VALUE C2 CAP 311216	98,86
TARTAROS FIS SCA GLOB VALUE C3 CAP 310317	96,50
TARTAROS FIS SCA GLOB VALUE C4 CAP 300917	103,50
TARTAROS FIS SCA GLOB VALUE C6 CAP 310818	102,61
TARTAROS FIS SCA GLOB VALUE C5 CAP 280219	102,49

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
<i>Fund</i>	3,88	2,20	1,04	1,01	-3,29	+3,89							8,87
<i>Msci world</i>	7,23	3,64	2,48	3,42	-5,41	4,17							16,07
<i>Eurostoxx 50</i>	5,79	4,39	1,62	4,86	-6,66	5,89							16,31

*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.

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