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1 General Overview

Friday, 11 October 2019

To begin you must study the end. You don't want to be the first to act, you want to be the last man standing.
 - José Raúl Capablanca (Cuban chess player who was world champion from 1921 to 1927)

Dear Partners:

The Fund finished the third quarter of 2019 1,56% in the plus, versus +2,72% for the Eurostoxx 50 and versus +4,28% for the MSCI World Index. At the end of the quarter we are up 10,57% for the year.

The Net Asset Value of the Fund is 216,99 (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)*

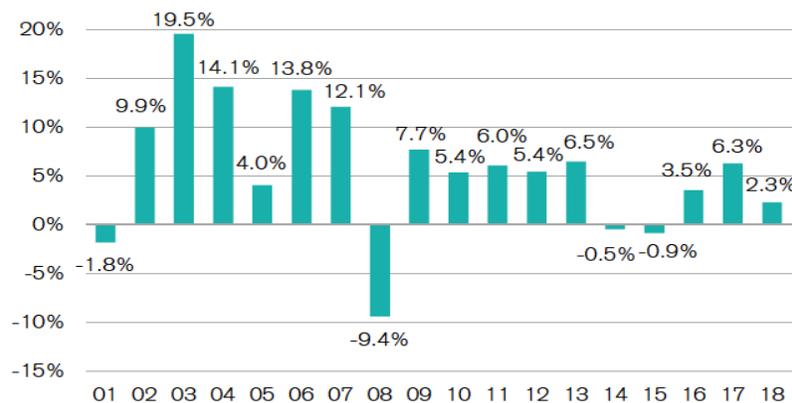
2019	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	ytd
Fund	3,88	2,20	1,04	1,01	-3,29	+3,89	2,79	-0,41	-0,80				10,57

*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)

The ultimate benchmark for your long-term returns (in usd):

Figure 1: Annual percentage change in total global wealth, 2000–18



Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2018

“Measured in current US dollars, total global wealth rose from 117 trillion usd in 2000 to 317 trillion in mid-2018, a rise of 200 trillion usd, equivalent to roughly 2,5 times global GDP. Most of this increase took place in the early years of the century: global wealth increased by 111 trillion usd between 2000 and 2007, only to fall by 21 usd trillion the following year. Figure 1 shows the annual growth rate measured in current US dollars. Double-digit growth (exactly 10%) was achieved until 2007, but the average rate over the next eight years was just 2.4%. Growth picked up after 2015, and has since averaged 5,8% per year, an improvement on the previous years, although still well short of the rate in the pre-crisis era.

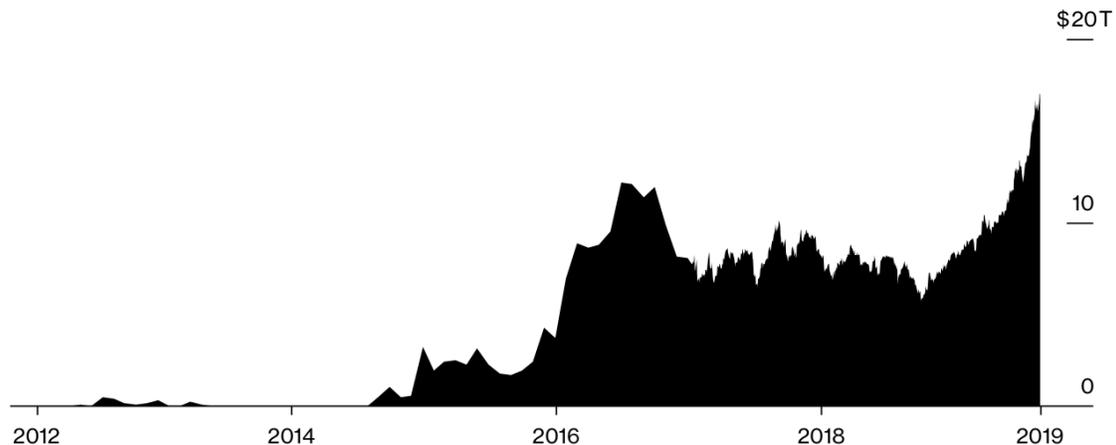
Figure 1 shows that global wealth fell significantly in 2008 and that there were also setbacks in 2001 and during 2014–15. With the exception of 2008, these negative growth episodes can be attributed to short-term exchange rate movements, which accounted for much of the year-to-year variation in growth rates.”

Source: <https://www.credit-suisse.com/about-us/en/reports-research/global-wealth-report.html>

What?! (2)

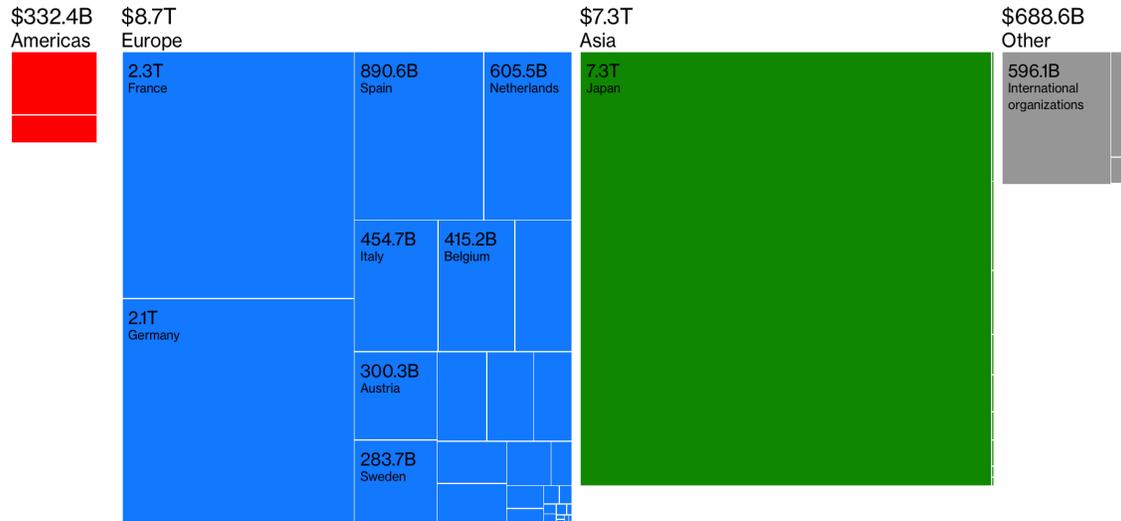
“The global stock of negative-yielding debt is now in excess of 17 trillion usd as rising market volatility lends extra force to this year’s unprecedented bond rally.

Market Value of Negative-Yielding Bonds in the Bloomberg Barclays Global-Aggregate Index



Data: Compiled by Bloomberg

Thirty percent of all investment-grade securities now bear sub-zero yields, meaning that investors who acquire the debt and hold it to maturity are guaranteed to make a loss. Yet buyers are still piling in, seeking to benefit from further increases in bond prices and favorable cross-currency hedging rates – or at least to avoid greater losses elsewhere.”



Source: <https://www.bloomberg.com/graphics/negative-yield-bonds/>

What?! (3)

“In the world’s biggest covered-bond market, a Danish bank says it’s now ready to sell 10-year mortgage-backed notes at a negative coupon for the first time.

It’s the latest record to be set in a world that’s being dragged down by ever lower interest rates. In Denmark, where Jyske Bank A/S will offer 10-year mortgage bonds at a fixed rate of minus 0.5%, average Danes will borrow at rates far lower than those at which the U.S. government can sell its debt.

Jyske Bank says it would rather not be setting such records, given the global economic weakness that’s behind the historically low interest rates.

It’s a first not only for us but for all Danish mortgage institutions, said Christian Bech-Ravn, head of ratings and investor relations at Jyske’s mortgage arm. Overall, I don’t think it’s a good sign for the economy with these very low interest levels that we are seeing at the moment.”

Source: <https://www.bloomberg.com/news/articles/2019-08-05/first-10-year-notes-at-negative-coupons-hit-covered-bond-market>

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

On the 2nd of Octpber Aimia Inc. announced that it will hold a special meeting of shareholders on January 24, 2020.

The Meeting was requisitioned by a group of shareholders (<https://www.aimiaaccountability.com>) led by Charles Frischer, holding not less than 5% of the company’s issued and outstanding common shares. The requisitioning shareholders are asking Aimia shareholders to vote to remove four current directors and to replace them with four nominees of the requisitioning shareholders.

This special meeting request came after Aimia decided, 17 Days after the annual general meeting and with no input from the largest (approximately 23%) or any other significant shareholders, to increase the Board

size by 1/3 from 6 to 8, reversing Aimia's previously announced goal of reducing the Board size to 6 to cut costs in acknowledgement of Aimia's reduced size, scope, and cash flow post the sale of Aeroplan.

Aimia's Board clearly has chosen to waste corporate assets through a campaign of litigation and entrenchment, rather than undertake meaningful engagement with its largest shareholders.

Most shareholders had enough of the poor strategic choices and destruction of value that has occurred under the stewardship of the current board. It is obvious how we will be voting the Fund's shares.

Since EZCorp's IPO in 1991 Phillip Cohen has been the controlling shareholder. He owns 100% of the B-shares (which have 100% of the vote). Clearly this should lead to some sort of control-discount. But most of the negative sentiment still lingering today comes from Cohen's abuse of that control rather than the simple fact of him being a controlling shareholder. This stems from the 3rd party transaction his management company, Madison Park, had with EZCorp until June 2014. EZCorp was paying him approximately 7 million usd per year for so-called "advisory services".

The audit committee eventually terminated the agreement, and the Delaware Court eliminated any possibility of it being reinstated in the future based on the argument that the transactions "were not legitimate contracts for services but rather a means by which Cohen extracted a non-ratable cash return from EZCorp."

In the meanwhile, current management has proven that they are good operators at the store level. And although they seemed to be struggling with the capital structure (e.g. expensive convertible debt issuances) and with aligning with shareholders (e.g. importance of ROIC), they were also improving on that front. The company seemed back on the right track.

Unfortunately, two weeks before the end of the quarter, the company's share price declined precipitously after the company announced that Phillip Cohen had been elected to the Board of Directors and appointed as Executive Chairman, both effective on the 12th of September. Philip Cohen will receive a base salary of 1,5 million usd per year and an incentive opportunity of 1,5 million usd per year, awarded in the form of cash-settled phantom stock units tied to the trading price of the company's class A non-voting common stock.

After the incredible short-sighted and stupid decision of the company – it cost the Fund 1% this quarter – EZcorp is now trading at an unbelievable LTM ev/ebitda-multiple of 4,7 vs a multiple of 17 for FirstCash, its biggest and only other listed competitor.

The fund still has a large cash position and is diligently looking for investments in a world of abundant free money (cf. supra) and hence scarce opportunities with a reasonable margin of safety.



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 fact that people can make a whole lot of money without knowing much about managing it and that others can know a whole lot about managing money without understanding how businesses make it:

<https://www.adventur.es/investors-and-operators-lessons-ive-learned-from-both-worlds>

A must read about how investing is the perfect example of a complex problem with no known solution:

<https://ofdollarsanddata.com/there-are-no-secrets/>

Administration and the next update

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

Please email or call us with any questions you have.

As always, thank you for your trust!

The Tartaros Team

2 Fund Overview

2.1 General Overview (end of Q3 2019)

	Asset Class
Equities	40,39%
Preferred Equities	1,56%
Corporate Bonds	0,24%
Cash	57,81%
	100,00%

	Currencies
USD	54,68%
EUR	1,58%
CAD	18,84%
YEN	12,19%
HKD	6,54%
GBP	5,19%
NOK	0,98%
	100,00%

	Industry (as % of Fund)
Materials	15,87%
Industrials	3,27%
Consumer Discretionary	5,83%
Financial Services	4,33%
InfoTech	1,46%
Communication Services	9,65%
Utilities	0,71%
Real Estate	0,85%

2.2 Fund Positions

We have no short positions and no leverage. We are invested long in 21 positions.

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

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

<i>Position</i>	<i>% of portfolio</i>
Investment 1	5,26%
Investment 2	4,35%
Investment 3	3,98%
Investment 4	3,59%
Investment 5	3,05%

It should be noted that all numbers are approximations.

2.3 NAV Series

TARTAROS FIS SCA GLOBAL VALUE C1 A CAP	216,99
TARTAROS FIS SCA GLOB VALUE C2 CAP 311216	100,41
TARTAROS FIS SCA GLOB VALUE C3 CAP 310317	98,08
TARTAROS FIS SCA GLOB VALUE C4 CAP 300917	104,94
TARTAROS FIS SCA GLOB VALUE C5 CAP 280219	104,04
TARTAROS FIS SCA GLOB VALUE C6 CAP 310818	104,16

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	2,79	-0,41	-0,80				10,57
<i>Msci world</i>	7,23	3,64	2,48	3,42	-5,41	4,17	-3,75	5,21	2,99				21,04
<i>Eurostoxx 50</i>	5,79	4,39	1,62	4,86	-6,66	5,89	-5,29	4,16	4,13				19,48

*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.

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