1 General Overview

Friday, 7 January 2022

"Show me a completely smooth operation and I'll show you someone who's covering mistakes. Real boats rock."
- *Dune, Frank Herbert*

Dear Partners:

The Fund finished the fourth quarter of 2021 11,37% in the plus, versus +6,32% for the Eurostoxx 50 and versus 7,49% for the MSCI World Index. We finished 2021 27,63% in the plus.

The last month of the year was proof of the fact that in the short run a concentrated portfolio can be volatile on no news. Volatility (on the downside) is the price of admission. We cannot repeat enough that the portfolio (cf. infra part 2 Fund Overview) is concentrated and that we expect more volatility going forward. Case in point: we are up 3% after three days in the new year.

This was the 10th year that (deep) value investing as a strategy was a major headwind for us (cf. what?! (5)). The past ten years has taught market participants to buy "compounders" at any valuation and HODL ("hold on for you dear life"). The developed market indices have done very well over the past year, but underneath the hood there is already a lot of damage in the markets.

We wonder if next year is the year that the headwind for deep value investing finally turns into a tailwind. But although it was another year of sailing against the wind, the magic of compounding has started to kick in again.

The Net Asset Value of the Fund is 283,05 (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)*

2021	*jan*	*feb*	*mar*	*apr*	*may*	*jun*	*jul*	*aug*	*sep*	*oct*	*nov*	*dec*	*ytd*
Fund	-0,18	1,69	10,64	-0,84	0,86	2,78	-2,35	0,74	2,42	7,96	6,55	-3,19	27,63

*Please note that individual investor net returns will vary due to the timing of one's investment. The 2021 results reported above are unaudited estimates and may be subject to change.

What?! (1)

If your basic theory of ESG investing is "we will avoid bad-ESG stocks in order to drive up the cost of capital of bad-ESG things," it seems to be working:

Years of awful returns and pressure from clients to exit from the oil-and-gas business have left fewer and smaller firms able to take advantage of rising prices and help boost production. The unwillingness of some banks to make energy loans has compounded the challenges to boosting energy supplies.

Those left are moving to increase production, but they are relatively small players who won't be able to make a significant impact on output. Investors are steering capital away from fossil fuels and toward companies that rank high in environmental, social and governance, or ESG, measures.

"Oil-and-gas has seen the worst returns of any sector over the past five years; the returns are volatile and investors feel ESG pressures," says Wil VanLoh, who runs Quantum Energy Partners, which manages $18 billion, making it one of the few remaining big energy private-equity funds. "There's been a huge retreat in available capital."

If your basic theory of ESG investing is "we will brand our products as ESG in order to attract customers," that also seems to be working:

BlackRock Inc.'s push into sustainable investing is producing big results.

Of the $98 billion in long-term net flows that the firm took in last quarter, about one third, or $32 billion, went into sustainable funds -- a quarterly record. …

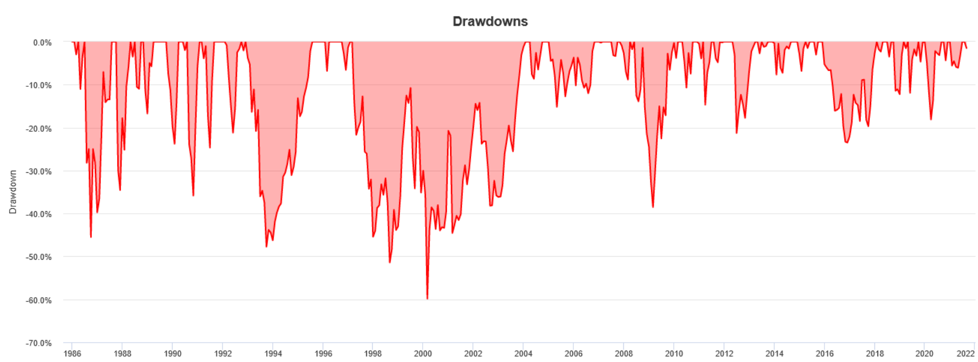
"BlackRock's strong commitment to ESG in recent years gives the firm a firm mover advantage to capitalize on this high-growth opportunity," Kyle Sanders, an analyst at Edward Jones, said in a note Wednesday.

Source: Matt Levine - Money Stuff: It Pays to Not Pay Your Debts

What?! (2)

This is a good reminder with respect to (the above mentioned) concentration and volatility:

Since 1986, Nike has delivered a 21,43% CAGR and turned 10.000 usd into 10.163.992 usd This is what you had to go through to get there and earn that return.



Source: @ValueStockGeek

What?! (3)

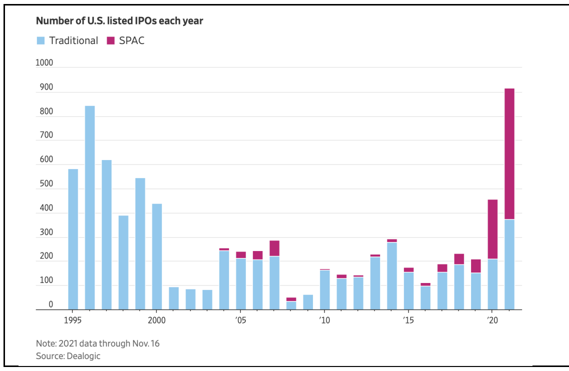
"Someone bought something early. Word spreads about that thing on the internet. Despite no change in the underlying asset, its price skyrockets as interest increases. Price is now fully dependent on this interest. People with a massive stake in these assets know that their net worth is tied to the hype behind their investment. No wonder "seller bullying" has become so popular online. Parabolic price increases are followed by parabolic decreases, and the parabola is fueled by hype. If interest dissipates, that parabola inverts…

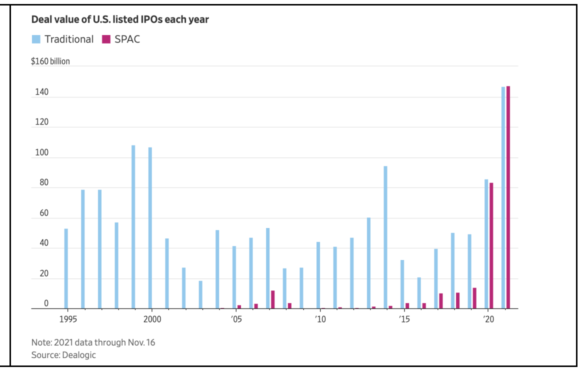
The cool thing about decentralization is that there's no one to protect you from getting wrecked. How are regulators supposed to keep track of this Pandora's Box of alternative investments? They can't…

Markets used to be open 9:30 AM to 4:00 PM, Monday to Friday. Now you can trade 24/7. And even if you do step away from the markets themselves, you can't avoid the commentary. Thanks to Twitter, Reddit, and Discord, the divide between entertainment and investment no longer exists. Speculation has always been part of human nature, but financial speculation has never been so accessible."

Source: https://youngmoneyweekly.substack.com/p/the-golden-age-of-grift

What?! (4)

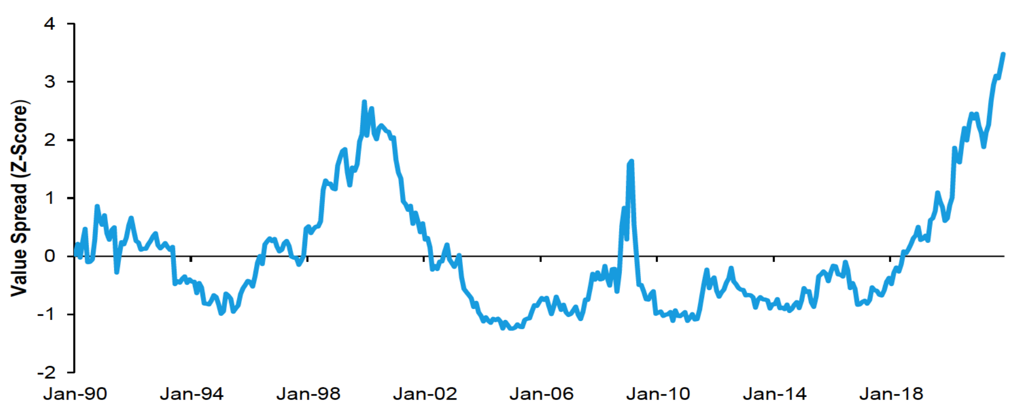




Source: https://www.wsj.com/articles/ipos-keep-jumping-higher-how-long-will-the-ride-last-11637339845

What?! (5)

Global Value Spreads
Hypothetical AQR Industry-and-Dollar-Neutral All-Country Value Portfolio[2,3,4,5]



Source: AQR. January 1, 1990 – November 30, 2021.

"And yes, such a spread says little about timing. When it will work is not a question that has escaped us! A common question is "what's the catalyst." I look back at times like the peak in March of 2000 (tech bubble) and note that 21 years later we still don't know what the catalyst was for it stopping there. But, while timing will always be bedeviling, we do believe the odds get better the crazier prices get, and the medium-term expected returns get better too."

Source: https://www.aqr.com/Insights/Perspectives/Thats-it-Thats-the-Blog

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

Calumet Specialty Products Partners LP (CLMT) is currently the largest Fund position (at an average cost per share of 3,25 usd).

In the years following the listing of CLMT in 2006, the company went on an acquisition spree trying to grow into a diversified refining holding company; this was in no doubt motivated by the bad incentive structure embedded in a typical MLP (Master Limited Partnership). Between 2011 and 2015, CLMT spent more than 1 billion usd on inorganic growth, in addition to almost half a billion usd to upgrade their Great Falls "trophy refining asset".

Most of the money was wasted on highly cyclical and sub-optimal refining assets; investments which made no sense relative to the high-quality core specialty chemicals business, and which were also never properly integrated into the broader company. In the process, previous management took the business from reasonable debt levels to almost 9x levered (on normalized numbers) and thus to the brink of failure in 2016.

So when we started to invest in CLMT, there was no natural investors' base anymore because the company was a broken Master Limited Partnership (i.e. no dividend pay-out) within a broken Master Limited Partnership market (cf. https://en.wikipedia.org/wiki/Master_limited_partnership for more information on MLPs).

But the majority of the refining assets had been divested and in the process hundreds of millions usd of cashflow had been generated for debt reduction. What was left in 2020 – under the leadership of a new CEO since the that spring – was a set of good businesses (housed within the specialty chemicals segment) that in other circumstances would command high market multiples because of its steady cash generation, but that had been obscured by the larger (in revenue terms), but also cyclical refining segment. And more importantly, an asset sale/monetization of The Great Falls refinery was rumored.

"By pure luck, the Great Falls facility is one of the best to arguably the best candidate for conversion into renewable diesel in North America."
- *Stephen Mawer, CEO Calumet Specialty Products*

Last February the company announced that, rather than (fire) sale some of its remaining assets – which had been our base case investment assumption – it had instead changed their plans. The company was going to retain and focus investment in their high-growth finished lubricants and specialty chemicals business, and, most importantly, they announced that their remaining ugly duckling asset – the Great Falls refinery – presented itself as one of the most compelling opportunities for renewable diesel (i.e. not bio diesel!) production in North America. The strategic focus would become:

- De-hybridize business model (i.e. a specialty chemicals & renewable diesel business segment) and also create investor transparency
- De-lever the Partnership's balance sheet
- Focus resources on volume and margin growth in specialty products

More info: http://calumetspecialty.investorroom.com/2021-02-16-Calumet-Specialty-Products-Partners-L-P-Provides-Update-on-Strategy-M-A-and-Business-Resegmentation

It was clear from this announcement that management was unwilling to give one of their businesses away if they were not forced to, and instead opted for a value-maximization strategy of their Great Falls refinery.

In the middle of November the company (finally) announced a strategic transaction in its renewable diesel business (i.e. Montana Renewables (MRL)):

The new Calumet Specialty Products:

The highlights of the deal are the following:

- A continuation of the company's strategy to de-hybridize and de-lever Calumet (as announced in February/March of 2021)
- Launching Montana Renewables (MRL) allows focus on the independent development of two best-of-breed businesses
- Transactions establish MRL as an unrestricted, wholly-owned, pure-play renewables subsidiary
- High multiple business and powerful growth platform
- Partner selection process focused on deep financial resources and structuring capability
- Oaktree Capital Management, L.P. ("Oaktree") is a leading global investment management firm and brings a wealth of expertise to the partnership
- The next step towards recognizing a significant "post-money" valuation at MRL, potentially through the public markets
- Consistent with strategy to de-lever our consolidated balance sheet

More info: http://calumetspecialty.investorroom.com/2021-11-19-Calumet-Specialty-Products-Partners,-L-P-Announces-Strategic-Transactions-in-its-Renewable-Diesel-Business

Although the market has started to digest the prospect of Calumet Specialty products finally trading outside the very dark shadow of its past financial and operational mismanagement, it still remains orphaned and underappreciated by the broader market. And although there are certainly still a lot of moving parts to this special situation, we continue to view the investment opportunity as highly asymmetric.

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 this trillion dollar game of musical chairs:

https://youngmoneyweekly.substack.com/p/the-golden-age-of-grift

Another must read about the cryptocurrency mania:

https://nymag.com/intelligencer/2021/10/why-the-big-short-guys-think-bitcoin-is-a-bubble.html

A must read about what the agony of high returns:

https://www.fool.com/investing/general/2016/02/09/the-agony-of-high-returns.aspx

A must read about how a mob rescued the world's largest movie-theater chain from the edge of bankruptcy:

https://www.wsj.com/articles/inside-amcs-crazy-bonkers-upside-down-year-of-apes-memes-and-shorts-11639803655?page=1

Administration and the next update

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

If you have any questions, please call or email us.

We wish you a healthy, worry free and happy new year!

The Tartaros Team

2 Fund Overview

2.1 General Overview (end of Q4 2021)

2.2 Fund Positions

	Asset Class
Equities	80,90%
Corporate Bonds	5,67%
Cash (Equivalents)	13,43%
	100,00%

	Industry (as % of Fund)
Materials	11,60%
Industrials	10,80%
Consumer Discretionary	0,90%
Consumer Staples	6,66%
Financial Services	7,37%
InfoTech	0,93%
Communication Services	8,04%
Real Estate	6,66%
Energy	27,94%

	Currencies
USD	63,08%
EUR	3,43%
CAD	11,70%
YEN	8,75%
AUD	5,24%
PLN	5,56%
ILS	1,34%
MXN	0,90%
	100,00%

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

Position	*% of portfolio*
Investment 1	27,94%
Investment 2	6,66%
Investment 3	6,66%
Investment 4	5,56%
Investment 5	5,24%

It should be noted that all numbers are approximations.

2.3 NAV Series

TARTAROS FIS SCA GLOBAL VALUE C1 A CAP	283,05
TARTAROS FIS SCA GLOB VALUE C7 CAP 311219	126,67
TARTAROS FIS SCA GLOB VALUE C8 CAP 310320	148,46
TARTAROS FIS SCA GLOB VALUE E1 CAP 300420	138,48
TARTAROS FIS SCA GLOB VALUE E2 CAP 301020	133,26