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1 General Overview

Wednesday, 5 October 2022

I used to have a notice on my desk that read: "share price is more volatile than corporate cash flow… which is more volatile than asset replacement cost." It was a reminder to concentrate on non-transitory items… to focus on lasting value, not transitory prices.
- Nick Sleep

Dear Partners:

The Fund finished the third quarter of 2022 13,32% in the plus, versus -3,96% for the Eurostoxx 50 and versus -0,263% for the MSCI World Index. YTD we are down -3,74%.

The Net Asset Value of the Fund is 272,47 (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)*

2022	*jan*	*feb*	*mar*	*apr*	*may*	*jun*	*jul*	*aug*	*sep*	*oct*	*nov*	*dec*	*ytd*
Fund	0,61	2,07	-2,91	2,04	-5,44	-11,70	8,91	17,56	-11,49				-3,74

*Please note that individual investor net returns will vary due to the timing of one's investment. The 2022 results reported above are unaudited estimates and may be subject to change.

I guess we can write almost verbatim what we wrote here the previous quarter:

"Over the past couple of quarters, we wrote that the concentrated nature of our portfolio could lead to higher volatility and the last two weeks of ~~June~~ September were – unfortunately, but not unexpectedly – another perfect example of what we warned for."

It should be noted that we also had positive volatility in July and August; and, of course, nobody ever complains about positive volatility.

We believe that macro-economic forecasts are mostly voodoo, but it seems almost abundantly clear that there will be one big winner from the energy crisis in Europe: the U.S. economy. Although the U.S. economy is facing stagflation (record inflation + slowing of the economy), it has emerged relatively strong from the pandemic as China continues to enforce lock-downs and Europe is destabilized by an (energy) war.

Wild upward swings in energy prices threaten the industrial fabric of Europe with what could be a new era of de-industrialization, because European companies that make steel, petrochemicals (e.g. fertilizer) and other feedstock inputs of economic activity are (considering) shifting operations to the U.S. attracted by more stable energy prices and a (literal and figurative) more muscular government (support: a.o. Inflation Reduction Act).

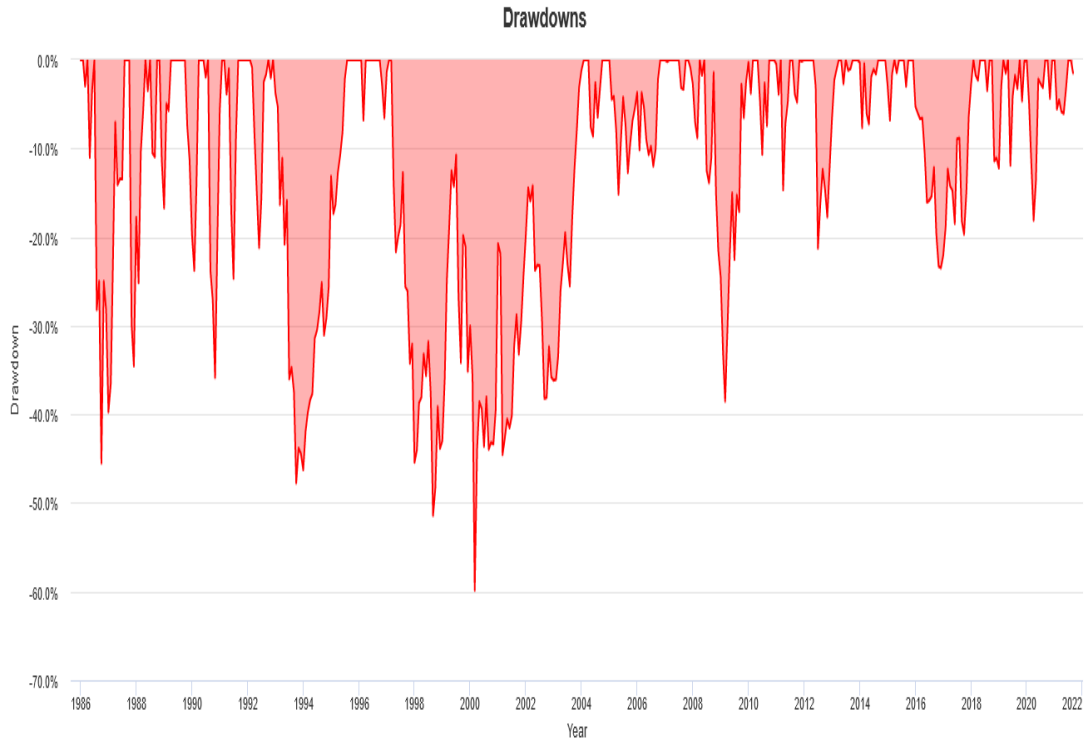
It seems that the current market (volatility) environment is the equivalent of a Rorschach test. In the absence of knowledge, speculation is a measure of individual psychology, so we are not going to add our reading of the tea leaves.

As, always we remain focused on lasting value, not transitory prices.

What?! (1)

This (cf. 2021 Q4 Letter to the Partners & cf. 2022 Q2 Letter to the Partners) 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?! (2)

Reflections on doing the right thing

Frequent observation of the wild movements in prices would lead one to think that this is caused by nothing more sophisticated than the rolling of dice at some casino table. There is much truth in such observation. However, for those of us seeking to own what is substantive rather than to rent whatever happens to be going up in price, there is little to fear. We would do well to remember that the fluctuation in the price of an asset does not in any way add to or subtract from the value we assign to such asset or its purpose in ownership. If you are doubtful, consider the following.

In the small French town of Grasse, several generations of the Maubert family have built an outstanding company that makes flavors and fragrances: Robertet, S.A. The family's 51% stake along with that of three other real owners amounts to 94% of the outstanding shares of the company. And so, even as the shares are listed on the Paris Euronext exchange, little and infrequent trading takes place. One day a few weeks ago, someone sold 16 shares, the only trade of the day, on the bid, and the price of the stock closed down 5% from the previous day. It occured to me that the Maubert family had suddenly been rendered poorer by nearly $6 million—just on account of this $2'500 trade. Or had they? Did they feel any poorer? Did their real assets change? Did they discuss this darned volatility at the dinner table?

I bet not. To the Mauberts and by extension to us, such fluctuation ('volatility', they falsely label it) has nothing whatsoever to do with the value of their stake or their purpose in ownership. They do not consider a decline in stock prices to be a threat to their wealth. They are not waiting for the price to go up so that they can sell and get rich quick. Their focus, and ours too, is on the substance that they own. Thus it follows that such fluctuations (or 'volatility') do not mean much to us.

Frankly, volatility is an emotional matter that mostly concerns those who don't quite know what they are doing but are still hoping that somehow they have guessed correctly. People welcome a 10% move up but dread a 10% move down. In their minds, the former is normal while the latter is 'volatility', which they have been told is risk. That idea has been discredited long ago, but people just love to hang on to it as if it were holy writ. Volatility "is only a good measure of risk," someone said, "if you feel that being rich and then being poor is the same as being poor and then rich." But old habits die hard. After decades of money delusions, we often talk the talk of being owners or investors but we keep a wishful eye on the wrong things. We regret not anticipating a huge profit in the Caracas stock market and we feel that we missed out by not anticipating what we would have made by following along with those who found safety in the ownership of US government bonds. By seeking profit in terms of prices, we become atrophic in recognizing what is real and what is not.

"If modernity is characterized by a loss of the sense of the real," writes Paul Cantor, "this fact is connected to what has happened to money in the twentieth century. Everything threatens to become unreal once money ceases to be real."

A lot of people might suggest we own a big chunk of government paper or inflation-adjusted bonds in lieu of so much gold. These are precisely the kinds of instruments they now find attractive, either as a refuge or as a way to minimize the dreaded volatility. The third and more subtle reason is that customers feel more comfortable owning a big chunk of government debt than a big chunk of gold. But in reality, there is

In this issue

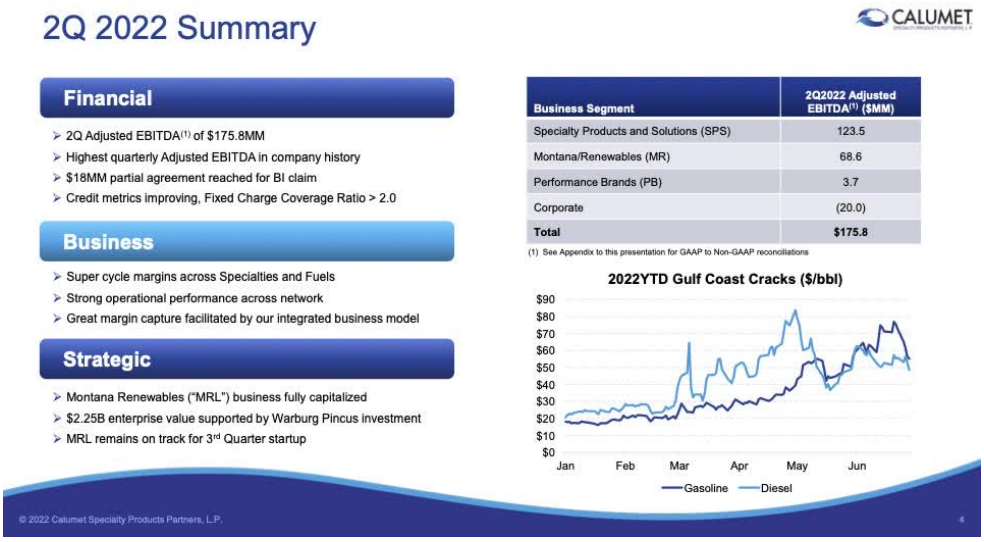
Source: https://edelweissjournal.com/pdfs/EdelweissJournal-004.pdf

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

In the last two (!) investment letters, we wrote the following about Calumet Specialty Products (CLMT): "But without a natural investor base it's still an orphaned and hence very illiquid Master Limited Partnership, so we expect share price volatility to continue until a (partial) value realization of MRL."

At the end of the second quarter, when the whole energy companies complex got sold down, the share price of CLMT got taken down – on very low volume. And, lo and behold, in the third quarter history repeated itself. In a couple of days, CLMT got sold down 20%; and again on very low volume.

In any case, at the beginning of August Calumet reported a Q2 through-the-roof record of 175 million usd in EBITDA; this was far above the most bullish estimates. We expect the Q3 & Q4 results also to be very good.



2Q 2022 Summary

CALUMET

Financial

- 2Q Adjusted EBITDA(1) of $175.8MM
- Highest quarterly Adjusted EBITDA in company history
- $18MM partial agreement reached for BI claim
- Credit metrics improving, Fixed Charge Coverage Ratio > 2.0

Business

- Super cycle margins across Specialties and Fuels
- Strong operational performance across network
- Great margin capture facilitated by our integrated business model

Strategic

- Montana Renewables ("MRL") business fully capitalized
- $2.25B enterprise value supported by Warburg Pincus investment
- MRL remains on track for 3rd Quarter startup

Business Segment	2Q2022 Adjusted EBITDA(1) ($MM)
Specialty Products and Solutions (SPS)	123.5
Montana/Renewables (MR)	68.6
Performance Brands (PB)	3.7
Corporate	(20.0)
Total	**$175.8**

(1) See Appendix to this presentation for GAAP to Non-GAAP reconciliations

2022YTD Gulf Coast Cracks ($/bbl)

$90
$80
$70
$60
$50
$40
$30
$20
$10
$0
Jan
Feb
Mar
Apr
May
Jun
Gasoline
Diesel

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4

With respect to the Warburg Pincus investment, an analyst on the conference call summed it up nicely in the following way:

"When I look back in my notes from years ago and it looked like you were going to sell all the refineries. I think we had an estimated value of Montana 300 million, so selling 14% of it for just a little bit less than that is pretty solid."

Calumet's Transformation

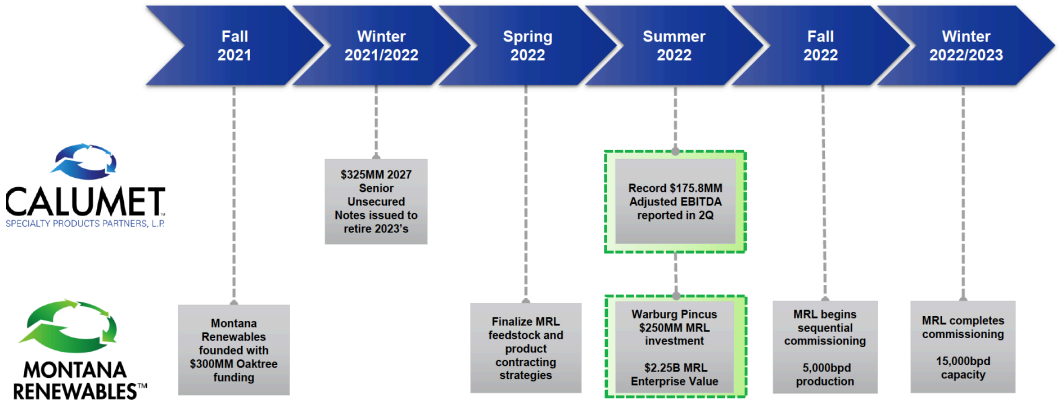
Calumet Specialties

- Industry leading, integrated Specialty Products company positioned to generate sustainable free cash flow
- Record setting Adjusted EBITDA in 2Q 2022
- Best-in-class customer base built on decades of targeted development and lengthy customer approval cycles
- Diverse portfolio of high-performance products
- Renowned brands targeting specific industries
- Portfolio of low risk, high return growth opportunities being recognized in performance and results

Montana Renewables

- Pure-play Renewable Diesel (RD) – no biodiesel, no fossil
- Warburg Pincus investment values MRL at $2.25B pre-commissioning
- Temperate Oil Seed Belt taps vast, new low CI markets for feedstock supply
- Renewable hydrogen plant further lowers CI
- Geographically positioned for advantaged access into existing RD markets and emerging RD markets
- Renewable Kerosene: sustainable aviation fuel (SAF), Arctic Spec Diesel
- On path to the public markets – only pure-play public Renewable Diesel opportunity

Accelerating Towards The New Calumet



Delivering our strategy to de-lever our business and create unitholder value

More information on the transformative deal and the current and future business set-up can be found at:

https://calumetspecialty.investorroom.com/Events?item=91 (Montana Renewables Transaction Summary)

https://calumetspecialty.investorroom.com/Events?item=92 (Wells Fargo Leveraged Finance Conference: current and future business)

Management (recent insider) is also putting their money where their mouth is at prices near short-term highs.

It should be noted that he large position will continue to have a large effect on the volatility of the performance of the Fund.

Our analysis – corroborated by the Warburg investment – seems to indicate that the valuation dislocation has never been wider. The share price of CLMT does seem, once again, to be completely disconnected from the macro and fundamentally improved micro (i.e. business) fundamentals, but we remain solidly focused on lasting value, not transitory prices.

Shinoken (cf. 2020 Q2 and 2022 Q2 Letter to the Partners), a project developer of apartments and condominiums in Japan, announced an implementation of a management buy-out and tender offer on the 10th of August. The Fund tendered its shares at the tender price of 1.600 yen per share. The tender operation was successfully completed on the 27th of September. Although a successful investment outcome is always welcome, and especially in these volatile times, we still feel that the price materially undervalued the company.

In any case, this tender offer is once again a good reminder that there can be at any time a big disconnect between the (marginal) market price and private market value.

In the previous investment letter, we mentioned the Canadian listed Aimia trading below – even more below now – the cash on the company's balance sheet. After the exit from Shinoken, we still have a similar old school Japanese deep value investment – yes, one of those – in Yodogawa Steel Works at a discount of approximately 45% of its yearly increasing net current assets value (incl. Investments). This independent Japanese steelmaker – trading at a negative enterprise value (excl. the highly liquid investments of the company) – is a dividend paying (4% dividend yield) and cash generative business. Yodogawa Steel Works is a true Benjamin Graham net- net stock, trading even below its liquidation value. (cf. 2021 Q1 Letter to the Partners)

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 ethics in investing (it must be noted: we fully agree):

https://yetanothervalueblog.substack.com/p/bonus-weekend-thoughts-ethics-in?s=r

A must read about how (financial) fundamentals are engaged in a perpetual game of tug-of-war with stories:

https://www.youngmoney.co/p/price-anchoring-broken-stories

A must read about rethinking risk:

https://www.youngmoney.co/p/rethinking-risk

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!

The Tartaros Team

2 Fund Overview

2.1 General Overview (end of Q3 2022)

	Asset Class
Equities	87,31%
Cash (Equivalents)*	12,69%
	100,00%

	Currencies
USD	63,42%
EUR	0,38%
CAD	11,75%
YEN	13,99%
PLN	5,02%
AUD	3,91%
MXN	0,96%
ILS	0,57%
	100,00%

	Industry (as % of Fund)
Materials	12,58%
Industrials	8,54%
Consumer Discretionary	0,89%
Consumer Staples	3,11%
Financial Services	8,36%
InfoTech	0,57%
Communication Services	5,91%
Real Estate	11,91%
Energy	35,44%

*It should be noted that including the successfully tendered Shinoken shares the Fund cash position is 24,60%

2.2 Fund Positions

We have no short positions and no leverage. We are invested long in 24 positions.

Position	*% of portfolio*
Investment 1	35,44%
Investment 2	11,91%
Investment 3	4,63%
Investment 4	3,91%
Investment 5	3,41%

It should be noted that all numbers are approximations.

2.3 NAV Series

TARTAROS FIS SCA GLOBAL VALUE C1 A CAP	272,47
TARTAROS FIS SCA GLOB VALUE E3 CAP 31012022	95,67
TARTAROS FIS SCA GLOB VALUE E5 CAP 31032022	96,60

2.4 Return Overview

Below are the results of the Tartaros Global Value Fund for 2022; 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)*

2022	*jan*	*feb*	*mar*	*apr*	*may*	*jun*	*jul*	*aug*	*sep*	*oct*	*nov*	*dec*	*ytd*
Fund	0,61	2,07	-2,91	2,04	-5,44	-11,70	8,91	17,56	-11,49				-3,74
Msci world	-4,01	-2,84	3,49	-3,41	-1,70	-6,56	10,60	-2,71	-7,31				-14,59
Eurostoxx 50	-3,00	-6,00	-0,55	-2,55	-0,36	-8,82	7,33	-5,15	-5,66				-22,90

*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 2022 results reported above are unaudited estimates and may be subject to change.

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