

Disclosures: This document is being provided on a confidential basis by Tartaros Investment Partners s.a.r.l. (T.I.P.) solely for the information of those persons to whom it is transmitted. This document is neither advice nor a recommendation to enter into any transaction with T.I.P. This document is proprietary information of T.I.P. and may not be reproduced or otherwise disseminated in whole or in part without T.I.P.'s written consent. Opinions offered constitute our views and are subject to change without notice. We believe the information contained herein is reliable, but do not warrant its accuracy or completeness.

1 General Overview

Sunday, 8 October 2023

“Accepting that we cannot predict the future--i.e., that there will always be unexpected and highly consequential events--is the first step in becoming less fragile and more adaptable. People should be highly skeptical of anyone’s, including their own, ability to predict the future, and instead pursue strategies that can survive whatever may occur.”
 - Seth Klarman

Dear Partners:

The Fund finished the third quarter of 2023 0,90% in the plus. Ytd we are up 2,08%. Just as in the previous quarter the volatility continues, since we gained 1% in the first week of October. The Net Asset Value of the Fund is 278,78 (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)*

2023	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	2023
Fund	3,51	0,70	-1,65	-3,89	0,34	2,33	2,76	-1,41	-0,40				2,08

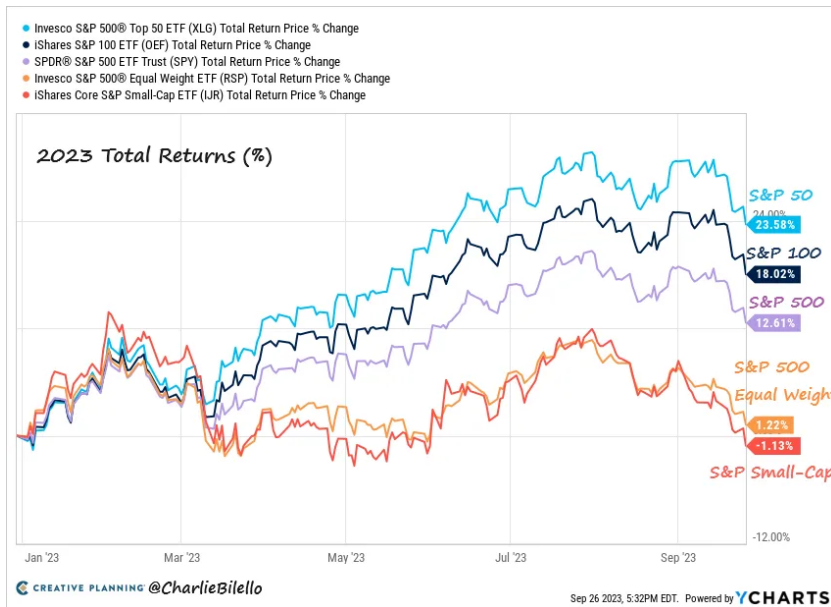
*Please note that individual investor net returns will vary due to the timing of one's investment. The 2023 results reported above are unaudited estimates and may be subject to change.

What?! (1)

Over the last 15 years, the S&P 500 (\$SPY) has gained over 360% vs. a 58% increase for the MSCI World ex-US ETF (\$ACWX) and just 33% for the Emerging Markets ETF (\$EEM). This is the longest cycle of US outperformance that we’ve ever seen.



What?! (2)



“If you buy the S&P500 today, you are basically buying a handful of companies that make up 34% of the index and have an average P/E ratio around 50.”

Source: <https://www.bloomberg.com/news/newsletters/2023-09-26/why-soft-landing-bets-are-dooming-themselves?srnd=premium>

What?! (3)

A corollary to this point is what I call the frustrating law of active management. The basic idea is that if an investment both to have “easy”, allocate to it associated just basic So how can a “hard”? Well, a have a informational edge. Or a have a accessing not have the pursue. But for most frequency

After the dot-com bust, Sun Microsystems CEO, Scott McNealy published an article called “What Were You Thinking?” which has often been quoted in recent years. The important part is here:

At 10 times revenues, to give you a 10-year payback, I have to pay you 100% of revenues for 10 straight years in dividends. That assumes I can get that by my shareholders. That assumes I have zero cost of goods sold, which is very hard for a computer company. That assumes zero expenses, which is really hard with 39,000 employees. That assumes I pay no taxes, which is very hard. And that assumes you pay no taxes on your dividends, which is kind of illegal. And that assumes with zero R&D for the next 10 years, I can maintain the current revenue run rate. Now, having done that, would any of you like to buy my stock at \$64? Do you realize how ridiculous those basic assumptions are? You don't need any transparency. You don't need any footnotes. What were you thinking?

The dot-com bust led to growth investing underperforming value investing for nearly 10 years. In 2022, it looked like the Scott McNealy quote was going to be proved right again, but 2023 has seen growth outperform value again.



idea is perceived alpha and to be investors will and erode the premium. That’s market efficiency. strategy be manager might substantial or analytical manager might structural moat, trades others do opportunity to

going to be behavioral. The strategy has to be hard enough to hold on to that it does not get arbitrated away. Which means that for any disciplined investment approach to outperform over the long run, it must experience periods of underperformance in the short run. (source: <https://blog.thinknewfound.com/2023/08/15-ideas-frameworks-and-lessons-from-15-years/>)

major low-edges, “hard” is

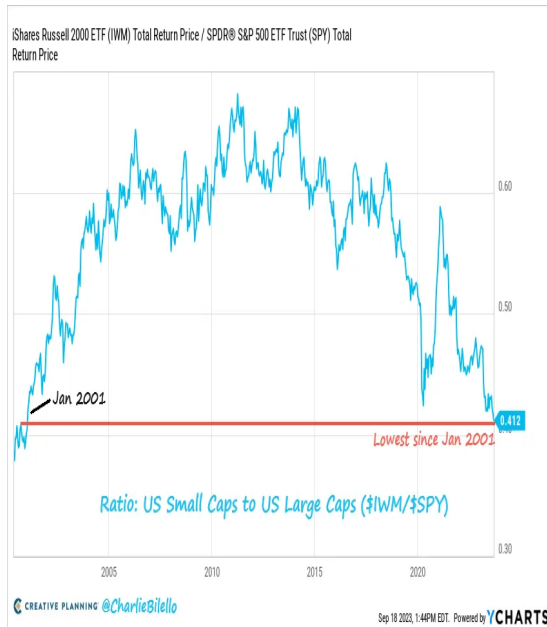
What?! (4)

The 10-Year treasury bond is down 2.5% year-to-date, on pace for a record 3 straight calendar year declines.

US 10-Year Treasury Bond: Total Returns (1928 - 2023)					
Year	Return	Year	Return	Year	Return
1928	0.8%	1948	2.0%	1968	3.3%
1929	4.2%	1949	4.7%	1969	-5.0%
1930	4.5%	1950	0.4%	1970	16.8%
1931	-2.6%	1951	-0.3%	1971	9.8%
1932	8.8%	1952	2.3%	1972	2.8%
1933	1.9%	1953	4.1%	1973	3.7%
1934	8.0%	1954	3.3%	1974	2.0%
1935	4.5%	1955	-1.3%	1975	3.6%
1936	5.0%	1956	-2.3%	1976	16.0%
1937	1.4%	1957	6.8%	1977	1.3%
1938	4.2%	1958	-2.1%	1978	-0.8%
1939	4.4%	1959	-2.6%	1979	0.7%
1940	5.4%	1960	11.6%	1980	-3.0%
1941	-2.0%	1961	2.1%	1981	8.2%
1942	2.3%	1962	5.7%	1982	32.8%
1943	2.5%	1963	1.7%	1983	3.2%
1944	2.6%	1964	3.7%	1984	13.7%
1945	3.8%	1965	0.7%	1985	25.7%
1946	3.1%	1966	2.9%	1986	24.3%
1947	0.9%	1967	-1.6%	1987	-5.0%
				1988	8.2%
				1989	17.7%
				1990	6.2%
				1991	15.0%
				1992	9.4%
				1993	14.2%
				1994	-8.0%
				1995	23.5%
				1996	1.4%
				1997	9.9%
				1998	14.9%
				1999	-8.3%
				2000	16.7%
				2001	5.6%
				2002	15.1%
				2003	0.4%
				2004	4.5%
				2005	2.9%
				2006	2.0%
				2007	10.2%
				2008	20.1%
				2009	-11.1%
				2010	8.5%
				2011	16.0%
				2012	3.0%
				2013	-9.1%
				2014	10.7%
				2015	1.3%
				2016	0.7%
				2017	2.8%
				2018	0.0%
				2019	9.6%
				2020	11.3%
				2021	-4.4%
				2022	-17.8%
				2023	-2.5%

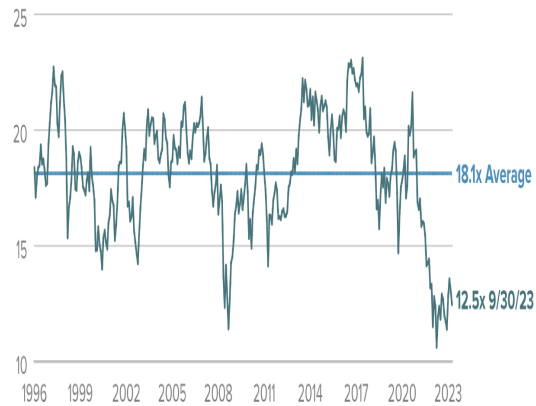
Bloomberg US Aggregate Bond Index: Longest Drawdowns (Monthly Data, 1976 - 2023)			
Start of Drawdown	End of Drawdown	# Months	Max Drawdown During Period (Monthly)
Aug-20	?	38	-17.2%
Jul-80	Oct-81	16	-9.0%
May-13	Apr-14	12	-3.7%
Aug-16	Jul-17	12	-3.3%
Feb-94	Jan-95	12	-5.1%
Mar-87	Nov-87	9	-4.9%
Aug-79	Apr-80	9	-12.7%
Apr-08	Nov-08	8	-3.8%
Feb-96	Sep-96	8	-3.2%
Jun-03	Nov-03	6	-3.6%
Feb-84	Jun-84	5	-4.9%
May-83	Aug-83	4	-3.5%

What?! (5)



Small Cap P/Es Have Come Down Amid Lackluster Returns

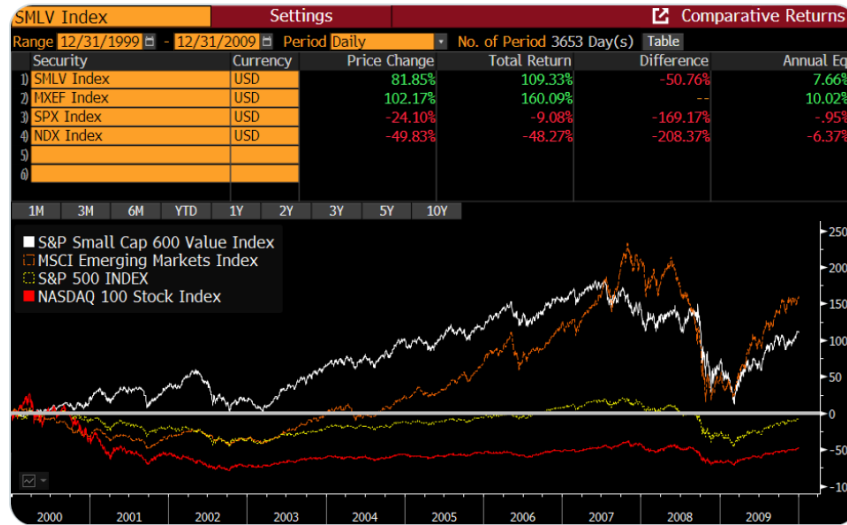
Weighted Harmonic Average Price-to-Earnings Ratio (Excluding Non-Earners) for the Russell 2000 from 12/31/78-9/30/23





Eric Balchunas ✓
@EricBalchunas

This chart blows my mind, for the entire 2000s EM and Small Cap Value were up over 100% each while SPX and Nasdaq were down. It seems so imposs today that this could happen for a year or two let alone a full decade, but I guess it can happen..



What?! (6)

Novo Nordisk's market value is now larger than Danish GDP — but does not yet rival Nokia's dominance of Finland at its peak



Sources: LSEG, IMF, FT calculations
© FT

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

The Fund's biggest position is Distribution Solutions Group (DSGR). DSGR is a specialty distribution platform created when in the beginning of 2022 the publicly listed Lawson Products merged with two privately held entities, Gexpro Services and TestEquity. Lawson is a North American industrial MRO distributor (of low-ASP products) serving approximately 80 thousand customers across a range of industries including automotive, government/military, and manufacturing & construction. TestEquity is a global distributor of test and measurement solutions into a.o. aerospace/defense-, industrial electronics, and communication industries. And Gexpro is a global specialty distributor of more specified products serving manufacturers in similar various end markets. While DSGR is organized as a platform company with the three daughter companies retaining prior leadership, they have a strong a focus on cross-leveraging the benefits of the three entities.

In March of this year DSGR announced that they would acquire Hisco and merge it with TestEquity. Hisco is a specialty distributor that serves aerospace/defense, medical and other industrial customers with products such as adhesives/sealants/tapes, and other low ASP product supplies. Because Hisco's product mix differs from TestEquity, but there is alignment on both the industry and supplier base, there are substantial cross-selling opportunities. Moreover, Hisco's Mexican footprint should benefit TestEquity in supporting nearshoring trends. DSGR made this acquisition at an approximate 9x EBITDA multiple; synergies should bring this multiple down to mid-7x. The acquisition was funded with debt as well as cash raised from a rights offering to which the Fund subscribed.

It should be noted that management – 10% ownership – together with Luther King Capital Management – 66% ownership and the former owner of Gexpro and TestEquity – is fully aligned with the overall shareholder base.

DSGR is currently trading around 9x pro forma EBITDA.

Comprehensive investor day presentation: <https://investor.distributionsolutionsgroup.com/static-files/d7ce99ba-fdb8-4ee8-935e-b23fd4d20a45>

The Fund's second biggest position is Unit Corporation (UNTC). UNTC already returned 15 usd in dividends since the Fund's initial investment.

Unit Corporation (UNTC), the Fund's second biggest investment position, is an energy holding company operating in two segments: (1) oil & natural gas production and (2) on-shore energy drilling services. The first segment develops and produces oil and natural gas in the Anadarko Basin. The contract drilling segment operates 18 drilling rigs including 14 super-spec BOSS rigs; a super-spec BOSS rig new-built cost is estimated at approx. 35 million usd. This drilling segment alone covers nearly the entire market cap of the company.

35% of outstanding shares are owned by Prescott Capital, a hedge fund based in Oklahoma. Prescott has about 500 million usd in AUM (so this is a material investment position for them) and their managing partner is interim CEO and member of the board of directors.

UNTC trades at approximately 2x EV. Unit should continue to distribute excess cash to shareholders through its variable dividend program and opportunistic share repurchases.

<https://unitcorp.com/wp-content/uploads/2023/03/Investor-Presentation-March-2023.pdf>

Two portfolio examples of very deep value:

Last week Aimia has received a 3,66 cad per share cash offer from its 30% shareholder, Mithaq Capital. It should be noted that Mithaq had just a couple of months ago increased its stake in Aimia from 20% to 30% at a price of 4,05 cad per share, pursuant to private agreements with third parties.

This latest offer values Aimia at 0,4 of book value. While we don't think the holding company is worth book value, a valuation offer of 0,6 book value would be more reasonable and still less than outrageously valued.

Patrizia is a top-3 European real estate asset manager with a very strong balance sheet. The asset manager has 57 billion Euros of long term AUM spread over 500+ institutional clients. The company is run by an owner (more than 50% ownership)-operator who has compounded book value per share at more than 15% over the last decade.

We invested in Patrizia in the fall of 2022 at an enterprise value of (close to) zero and after an initial run-up the company is once again valued at the same extreme deep value levels.

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

An evergreen must read (!) about investment philosophy ideas and frameworks:

<https://blog.thinknewfound.com/2023/08/15-ideas-frameworks-and-lessons-from-15-years/>

A must read about the bear market in small caps:

<https://www.royceinvest.com/insights/small-cap-recap>

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 2023)

	Asset Class
Equities	75,57%
Cash (Equivalents)	24,43%
	100,00%

	Currencies
USD	69,27%
EUR	3,56%
CAD	13,56%
YEN	2,76%
GBP	3,18%
PLN	4,62%
AUD	0,71%
MXN	1,62%
HKD	0,63%
ILS	0,09%
	100,00%

	Industry (as % of Fund)
Materials	14,02%
Industrials	17,80%
Consumer Discretionary	2,21%
Consumer Staples	5,01%
HealthCare	3,20%
Financial Services	10,71%
InfoTech	0,09%
Communication Services	6,89%
Real Estate	3,28%
Energy	12,37%

2.2 Fund Positions

We have no short positions and no leverage. We are invested long in 26 positions.

<i>Position</i>	<i>% of portfolio</i>
Investment 1	9,91%
Investment 2	7,95%
Investment 3	5,50%
Investment 4	5,20%
Investment 5	4,58%

It should be noted that all numbers are approximations.

2.3 NAV Series

TARTAROS FIS SCA GLOBAL VALUE C1 A CAP	278,78
TARTAROS FIS SCA GLOB VALUE E3 CAP 31012022	97,88
TARTAROS FIS SCA GLOB VALUE E5 CAP 31032022	98,87
TARTAROS FIS SCA GLOB VALUE E6 CAP 30092022	102,54