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1 General Overview

Tuesday, 12 January 2016

“Take the probability of loss times the amount of possible loss from the probability of gain times the amount of possible gain. That is what we’re trying to do. It’s imperfect but that’s what it’s all about.”

- Warren Buffett

“Several things dovetailed in my mind, and at once it struck me, what quality went to form a Man of Achievement especially in Literature and which Shakespeare possessed so enormously – I mean Negative Capability, that is when man is capable of being in uncertainties.”

- John Keats

Dear Partners:

The Fund finished the fourth quarter of 2015 -0,8% in the red, versus plus 5% for the Eurostoxx 50 and versus 6% for the MSCI World Index. The Net Asset Value of the Fund is 196,81 (cf. part 2.3 for all the NAVs of all series). After a disappointing December (-3,46%), we ended the year -1% in the red. We currently have a 50% cash position.

The markets are off to a rocky start. In the first week of 2016 the Eurostoxx 50 is already down more than -7%. The MSCI World Index is down -6%.

Below are the results of the Tartaros Global Value Fund since its inception on the 21st of October 2008 (cf. part two for the fund overview); also shown is the return of a major market index (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)*

2015	jan	feb	mar	apr	may	jun	jul	aug	sep	oct	nov	dec	ytd
Fund	5,47	2,03	0,94	-0,26	-0,19	-2,41	-2,18	-2,81	-0,64	2,76	0,21	-3,66	-1,07
Msci world	4,97	6,54	2,75	-1,99	2,29	-4,40	2,65	-7,82	-4,18	6,85	4,20	-2,43	8,46
Eurostoxx 50	6,52	7,39	2,73	-2,21	-1,24	-4,10	5,16	-9,19	-5,18	5,78	6,90	-6,81	3,85

*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 2015 results reported above are unaudited estimates and may be subject to change.

	<i>Tartaros</i>	<i>EuroHedge Global Equity</i>	<i>Euro Stoxx 50</i>	<i>MSCI World</i>	<i>Tradition Fund Low Risk</i>	<i>Traditional Fund High Risk</i>
2008	6,30	-3,82	-6,21	-10,90	-7,28	-19,78
2009	45,52	10,72	21,00	22,67	12,91	28,05
2010	32,64	4,87	-5,85	18,11	6,59	14,30
2011	-2,98	-6,16	-17,05	-4,59	-2,95	-12,27
2012	0,55	3,73	13,79	10,95	7,72	12,74
2013	-5,88	10,97	10,59	17,62	3,69	12,11
2014	5,63	2,62	1,20	18,06	7,73	11,35
2015	-1,00	4,00	3,85	8,46	2,39	4,38
Annualized	9,98	3,57	3,15	10,3	4,08	5,92
Cumulative	96,81	28,74	25,02	105,80	33,42	51,32

The past couple of years have been challenging, to say the least. And although it does not “feel” that way when looking at the MSCI world index, looking at different country indexes, most markets are barely above or even below the levels of the beginning of 2011. The MSCI world index in us dollars is at a level last seen at the summer of 2013 and was actually down in usd terms in 2015. And the Eurostoxx 50 is just above the level of the beginning of 2011. And that’s despite unprecedented monetary policies (cf. infra); monetary-policy makers, have been market saviors since 2009 through the promise of interest-rate reductions and asset purchases.

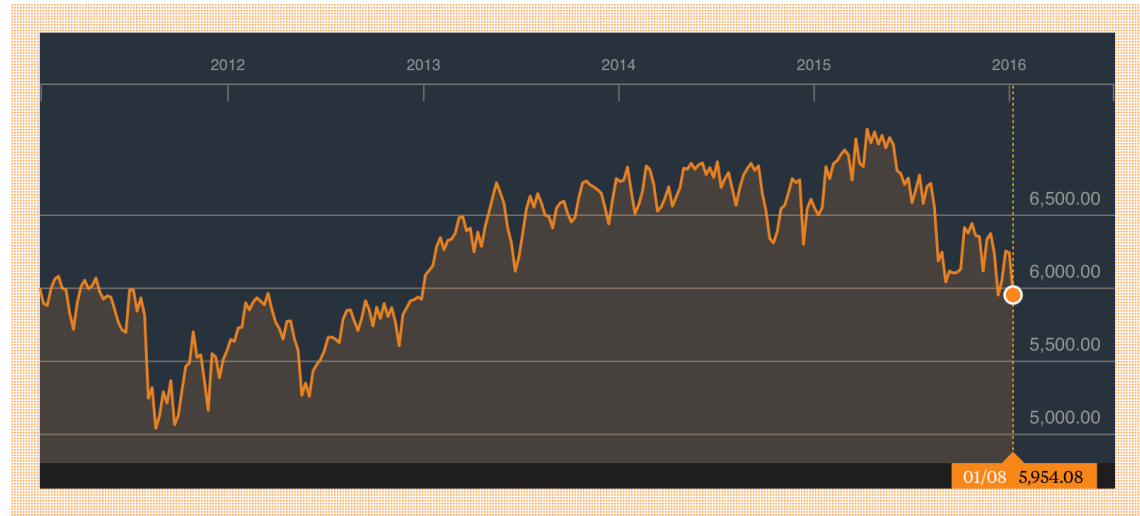
MSCI World Index



Eurostoxx 50



FTSE 100 Index



Ibovespa Brasil Sao Paulo Stock Exchange Index



Hang Seng 100 Index



The folly of forecasting

“I’ve learned many things from him, but perhaps the most significant is that it’s not whether you’re right or wrong, but how much money you make when you’re right and how much you lose when you’re wrong.”

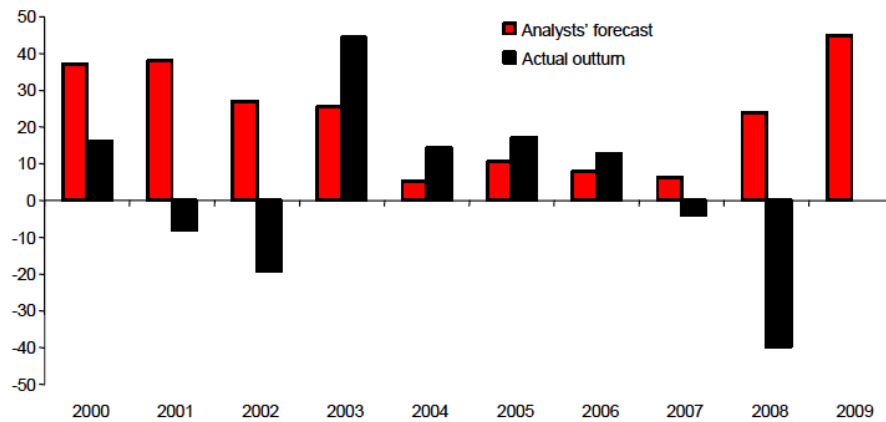
- Stanley Druckenmiller about George Soros

Life is messy. Business is messy. Investing is messy. It is an important fact that nobody ever wants to recognize, and especially during this time of the year when everybody is making New Year’s resolutions and the financial world is making economic forecasts and investment predictions left and right. Hope does spring eternal, at the beginning of every year.

Let’s get right to the point: these yearly predictions are largely useless. Saying something will happen is a good way to create a news headline, but a terrible way to make an investment. Every investment should be based on a very broad assessment of probabilities. Those who make specific forecasts, are making claims that an outcome is a virtual certainty; they are either completely misled or are investment industry “professionals” who are paid make these useless forecasts as they are the perfect marketing instrument for a willing audience that craves (investment) certainty.

In his book “The little book of behavioral investing” James Montier, the prominent value investing research expert, has dedicated a whole chapter on the folly of forecasting, in which he shows that the evidence on the folly of forecasting is overwhelming; whether you are talking about economists, analysts or any other kind of forecaster. “The three blind mice have more credibility than any macro-forecaster at seeing what is coming,” is his verdict on economists. As for analysts, he notes that the average forecasting error in the US stock analyst community between 2001 and 2006 was 47 per cent over 12 months and 93 per cent over 24 months. And of course, none of them ever makes a negative return forecast!

Analyst expected returns (via target prices) and actual returns (US, %)



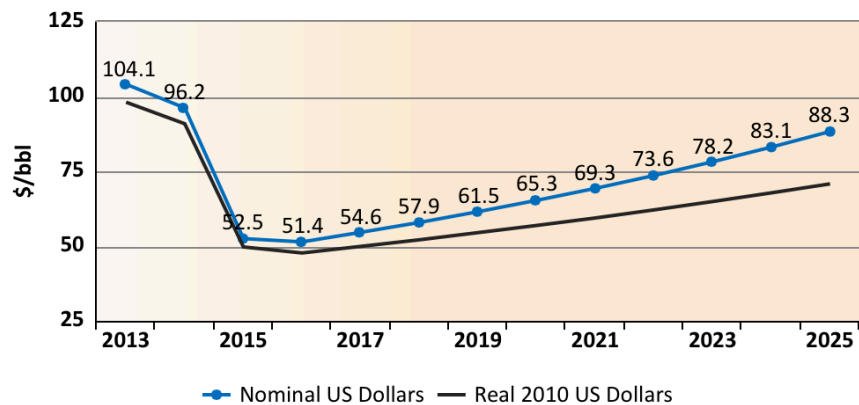
source: www.gmo.com

Let's take a look at a more recent and more specific example: oil (required reading: <http://fivethirtyeight.com/features/the-conventional-wisdom-on-oil-is-always-wrong/>). Oil prices fell by over half from June 2014 to January 2015, from approximately 110 usd to 50 usd, then another one-third since then to approximately 35 usd at the end of 2015. But almost no-one predicted oil below 40 usd for 2015.

Not economic institutes such as the World Bank who predicted 100 usd plus oil prices for 2015 in 2014, nor the International Energy Agency which forecasted prices of over 100 usd per barrel for 2015.

World Bank: Crude oil, \$/barrel

avg. spot price (Brent, Dubai, WTI)



Source: [World Bank Commodity Forecast Price data, October 2015](#)

Not investment banks. As oil approached its peak above 140 usd in mid-2008, Goldman Sachs predicted that oil would hit 150 – 200 usd a barrel, and other Wall Street firms, herding such like everyone else in the financial industry, were not far behind of course. Today Goldman Sachs is predicting 20 usd oil. Yes,

this is the same Goldman Sachs that 7 years ago predicted that the price of oil was going to reach 200 usd a barrel.

Not even Andy Hall, the god of oil, whose energy fund is down 35% in 2015. (source: <http://www.reuters.com/article/us-hedgefunds-oil-astenbeck-idUSKBN0UM04M20160108>)

Not the energy industry and its, supposedly in-the-know, investors. Between the end of 2007 and the end of 2014, energy – oil and gas – companies raised 250 billion usd in IPO's, subsequent share offerings and convertible-bond issues, according to Ipreo, a financial-research firm. Over the same period, asset managers launched almost 100 mutual funds, exchange-traded funds and closed-end funds specializing in energy stocks. The investing public pumped 64 billion usd into these funds. (source: Jason Zweig from the WSJ)

At the end of 2014 (!) Goldman Sachs looked at 400 of the world's largest new oil and gas fields – excluding U.S. shale – and found projects representing approximately 900 billion usd of energy investments that are no longer profitable with oil at 70 usd. 2015 brought 50 usd oil and a melt-down of the entire oil and gas industry.



source: www.bloomberg.com

Oil markets are influenced by numerous variables — economics, technology, geology and geopolitics (<http://www.telegraph.co.uk/finance/economics/12071572/Saudi-Arabia-unveils-record-deficit-as-it-succumbs-to-oil-price-rout.html>) — each with its own inherent uncertainty and unpredictability. Every year predictions are made that soon are proven wrong. Forecasts are made again this year. You should ignore them.

Lao Tzu, the 6th century BC poet observed, “Those who have knowledge do not predict. Those who predict do not have knowledge”. And Benjamin Graham, the father of security analysis once stated that forecasting security prices is not a part of security analysis. Despite these time-tested words of wisdom and the overwhelming available data on the abysmal track records in forecasting, the financial industry persists in producing forecasts. Economists, strategists and analysts are all guilty. Moreover, in general, their forecasts are just a biased and lagged function of recent data, i.e. they extrapolate the recent data into the future.

Now why do we persist in using forecasts? The answer is twofold. Firstly, for the financial industry it is a marketing tool. And secondly, people in the face of uncertainty crave certainty and will cling to any

irrelevant number as support. This is called anchoring. James Montier once ran his own experiment on anchoring. People were asked to write down the last four digits of their phone number. Then they were asked whether the number of doctors in their capital city is higher or lower than the last four digits of their phone number. Then they were asked to give a specific guess about the number of doctors in their capital city. Results: Those whose last four digits were greater than 7.000 on average reported 6.762 doctors, while those with telephone numbers below 2.000 arrived at an average 2.270 doctors.

It is abundantly clear that investment analysis should not place significant weight upon rosy assumptions or forecasts about the future. Two things should be done. Firstly, investors should think in terms of probabilities and not certainties. And secondly, it is important to assess the potential outcome of a given investment to adverse scenarios (micro as well as macro); scenarios that typically are not addressed by mainstream top-down forecasts, which generally are just positive extrapolations from the recent past.

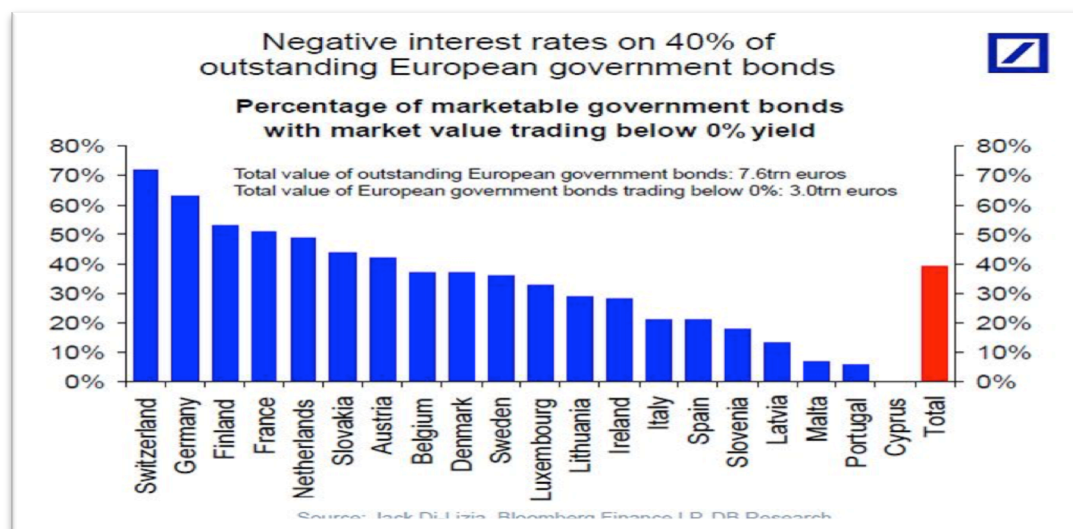
Remember, it is not whether you are right or wrong that is important, but how much money you make when you are right and how much you lose when you are wrong. Of course, knowing all of this is half the battle. The other half is applying this in the investment process.

Sources:

- www.ft.com
- www.bloomberg.com/news/articles/2014-12-18/bankers-see-1-trillion-of-investments-stranded-in-the-oil-fields
- <http://blogs.wsj.com/moneybeat/2015/12/11/what-investors-can-learn-from-the-oil-bust/>
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No more return on money left... what about the return of money now?

The last seven years central banks have had an unprecedented and enormous impact on financial markets. By manipulating financial markets they have forced everybody into the same yield-(over)reaching behavior. QE and zero-interest-rate policies (ZIRP) have created a treacherous “search for yield” where investors tried to earn any kind of discernible yield in an artificially created zero-yield environment. All these combined speculative transactions created a self-reinforcing feedback loop; every investor was pushed way out on the risk curve as they searched for diminishing and, for the last year, even miniscule traces of yield.

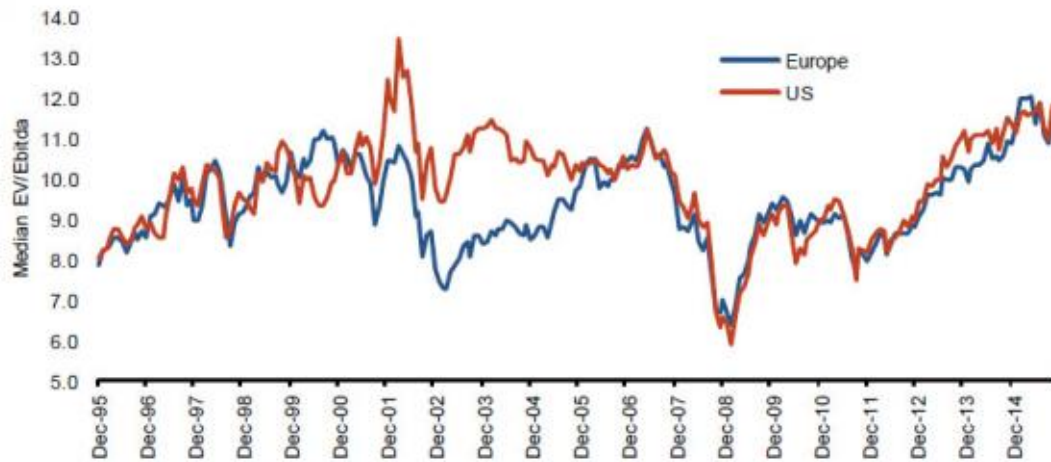


This – unprecedented manipulation and speculation – is the most important thing that has been going on over the last few years. And it still is here at the beginning of 2016.

Just some “random” facts – utter absurdities – of this unprecedented economic environment created by the world’s central banks:

- 40% of European government bonds yield below zero! It is hard to believe that the German government is paying only approximately 0,6% on its 10-year debt, but that is high compared to the negative yields it is *receiving (!)* on 1-month, 3-month, six-month, 9-month, 1-year, 2-year, and even 5-year bonds! The Swiss bond yields are even negative 10 years out!
- 6 trillion usd of total global government debt of 60 trillion usd trades at interest rates below zero, and 17 trillion usd trades below 1%.
- Public and private debt ratios are hovering at all-time records of 265% of GDP in the OECD club and 185% in emerging markets, 35 percentage points higher than just before the Great Financial Crisis.
- Japan’s central bank began buying exchange traded funds (ETFs) in 2010. Today the BOJ has accumulated an ETF stash that accounts for 52 percent of the entire Japanese ETF market. In Europe, the Swiss and Danish central banks are among those investing in equities. The Swiss National Bank has an equity quota of about 15 per cent of its balance sheet. It has invested in Apple and Valeant Pharmaceuticals.
- After record-breaking biotech IPOs in 2014 (there were 71 IPOs, up 90% from 2013), the Nasdaq Biotech Index (NBI) is trading at 11, 6 times enterprise value-to-sales, despite 90% of the NBI being unprofitable.
- Record low corporate bond yields sustained the historic M&A boom. In 2015 global M&A reached a record 5 trillion usd surpassing 2007’s record (source: dealogic).
- On the 15th of January, the Swiss franc rocketed by more than 40% against the euro after the SNB abruptly removed its cap on the currency – the sharpest one-day move for a major currency in more than 40 years of floating exchange rates.
- In December currency speculators were burnt when the euro climbed more than 4% in the matter of hours against the us dollar after the ECB delivered a smaller stimulus package than many had expected.
- The Federal Reserve at the end of last year reported that U.S. non-financial companies spent a mind-blowing 2,2 trillion usd on stock buybacks since 2009. This was almost 2 times higher than the 1,2 trillions usd of stocks purchased by the complete mutual-fund and ETF industry over the same period! Meanwhile the U.S. pension fund industry sold 1 trillion usd of stocks. And of that 2,2 trillion usd, the Fed reported that an incredible 1,9 trillion usd was debt-financed. That is more than 80% of all the stock buybacks. QE and ZIRP unleashed the biggest debt-fueled stock-buyback ever witnessed.

Median US and European EV/EBITDA valuations

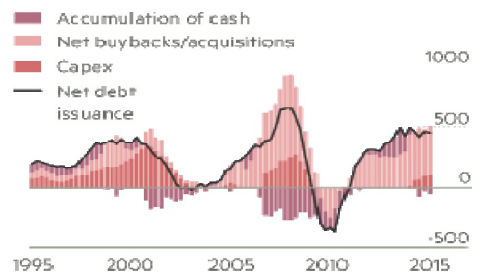


Source: SG Cross Asset Research

US debt issuance used for share-buybacks

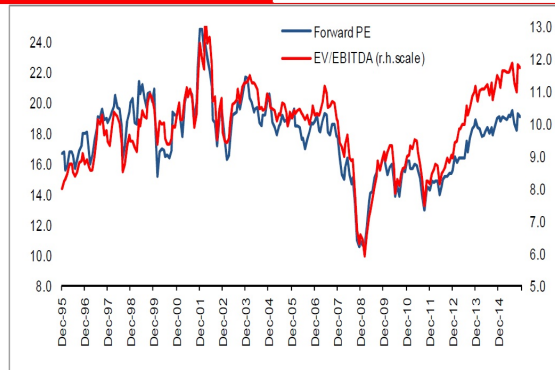
Debt-fuelled buybacks

US non-financial corporate use of debt (\$bn)



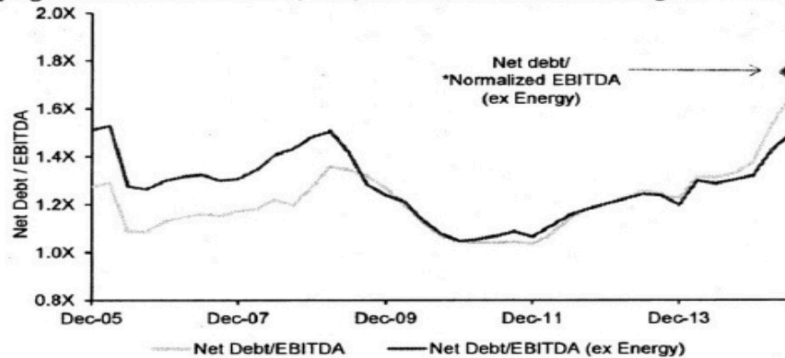
Source: BlackRock

Debt issuance takes Median US market valuations to record highs



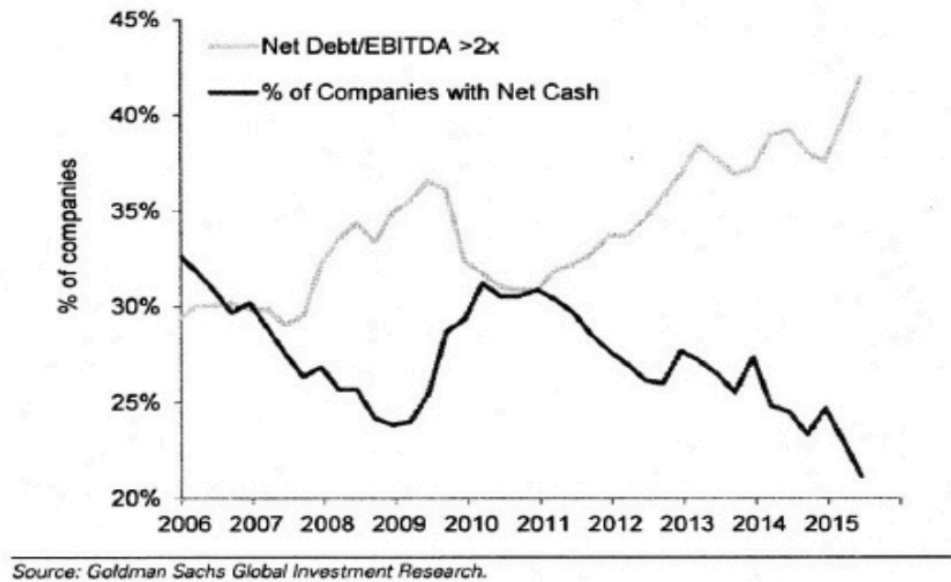
Source: FT, BlackRock, Datastream

Aggregate Net Debt / EBITDA (LTM) for North America coverage (ex-Financials)



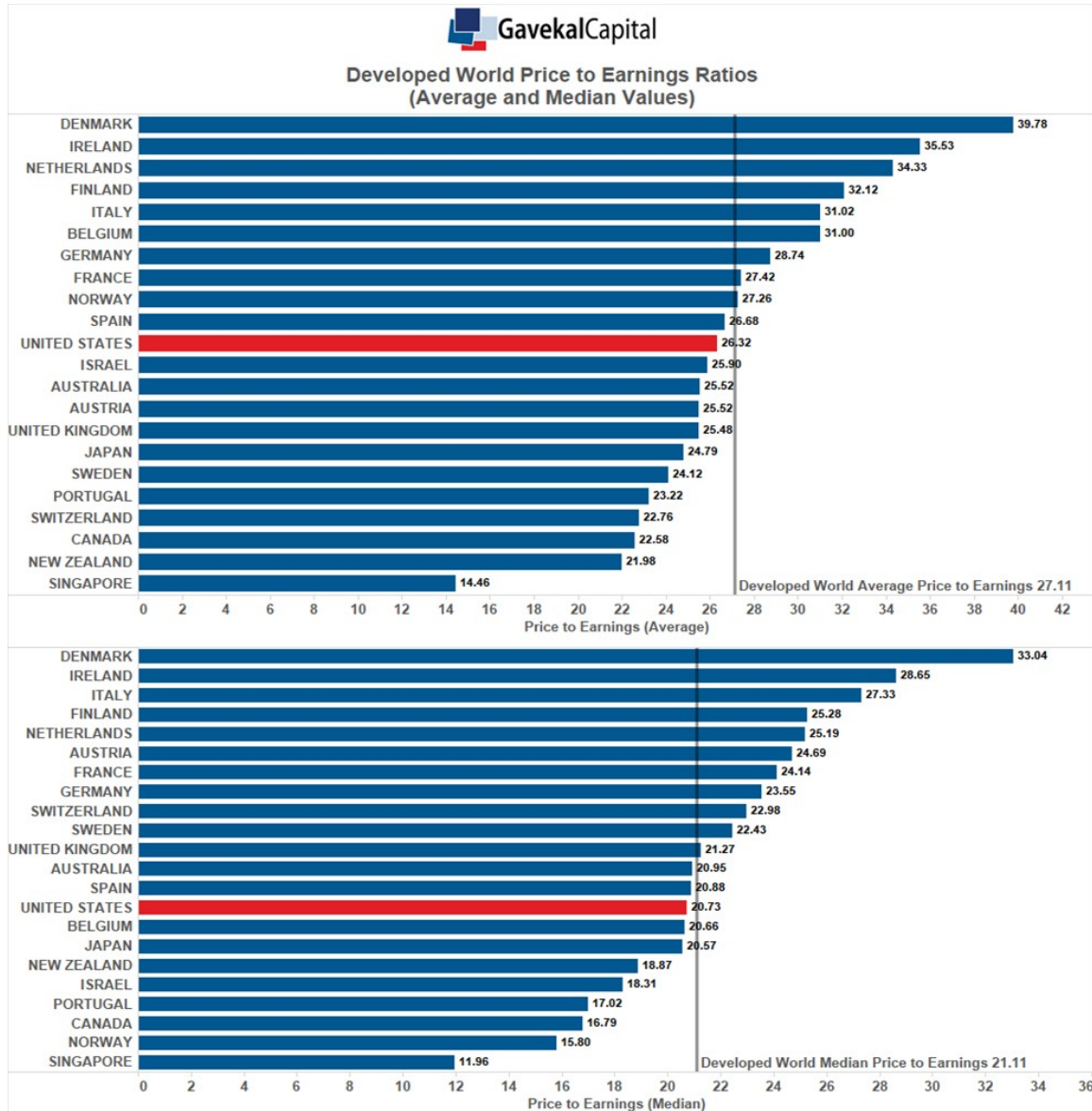
* Normalized based on median EBITDA (LTM) from 1Q07-2Q15.

Source: Goldman Sachs Global Investment Research.



After chasing everything from government bonds to high-yield bonds and FANG (Facebook – Amazon – Netflix – Google) shares amid seven years of zero-percent interest rates, investors have found themselves with nowhere left to run. Since 1995, practically every year has seen some asset deliver returns exceeding 10 percent. According to Bianco’s study, gains from the best-performing assets had surpassed 10 percent in all but one year since 1995. During the last nine decades, 23 years, or a quarter of the total, saw at least one asset class returning more than 30 percent, and only four ended with gains smaller than 4 percent. (source: <http://www.bloomberg.com/news/articles/2015-12-28/the-year-nothing-worked-stocks-bonds-cash-go-nowhere-in-2015>) 2015 left the S&P 500 Index slightly negative for the year (and that was with big help of the Fang stocks; all – except for Google – trade at price-to-earnings ratios of more than 100). (source: http://www.horizonkinetics.com/docs/HK%202016%20New%20Year%20Letter_FINAL_website.pdf) Cash in the United States was flat, while bonds and commodities are also showing losses.

So we are living in a low, or better, no return world caused by the central banks pulling down the risk-free rate to zero. Today the prospect for overall returns on financial assets are near zero; but the risks are substantial. It seems the world is headed toward negative real interest rates on a global scale. This is toxic. Interest rates are used to price risk. And so in the current environment, the risk-pricing mechanism is broken. In short, you cannot get a higher yield just because you want or need to. There is no safe way to make, for instance, 5% in a world of 1% government bonds. Investors repeatedly forget that reaching for yield in speculatively priced assets only works if capital losses do not wipe out the extra “pick-up” in yield.



In any case, we believe that over the past couple of years we have encountered an investing environment that is probably unique in its characteristics.

It is always important to consider where the markets are based on overall valuation levels, i.e. top-down based. Today the markets are already more highly valued than in 2006-2007. Only the 1920s and the 1999-2000 period were more highly valued than today! Three periods which proved, to put it mildly, inopportune times to be fully invested.

And, from a bottom-up perspective, we also have never encountered a period in which finding good investment opportunities (read: bargains) is as difficult as over the past three years. So, both the top-down and bottom-up environment over the past couple of years have been very, very, very frustrating, to say the least. In 1999-2000 you would have found plenty of investable “old industry” stocks, although you first would have lived through massive relative underperformance (versus the overall stock market indexes). And in 2006-2007 cash and bonds at least provided a decent return while hiding from expensive stock market levels. Today everything is very expensive. So, we do not believe now is the time to be fully

invested just to keep up with general stock market indexes or other investors who are speculating on ever rising markets. Because with the relative performance gun to your head you will always end up doing the wrong thing!

Occasionally we are asked whether it would make sense to modify our investment strategy to perform better in today's financial climate. Our answer, as you might guess, is: No! It would be easy for us to capitulate to the runaway bull market in growth and technology stocks. And foolhardy. And irresponsible. And unconscionable. It is always easiest to run with the herd; at times, it can take a deep reservoir of courage and conviction to stand apart from it. Yet distancing yourself from the crowd is an essential component of long term investment success.

- Seth Klarman, 1999

Of course, it would have been less stressful if we had relaxed our investing standards, just to keep up with rising markets. However the long-term success of a value investing strategy is based on strict discipline and with that come periods, uncomfortably long periods of relative under-performance. The only prudent course of action is unfortunately also the most uncomfortable. And this is probably the biggest reason why value investing will never be implemented on a broad scale.

Time after time, studies have shown that value investing works. – cf. The super-investors of Graham-and-Doddsville – You would think more people would adopt this investment strategy. But nobody does. Instead, they are always chasing what everybody else is doing. In the end, we believe that in the end investing is not only about skills but most importantly about having the right psychological make-up and thus the patience (which 99,999...% of people seem to lack) to wait for the investment environment when opportunities are abundant.

Charlie Munger likes to point out that successful investing requires “this crazy combination of gumption and patience, and then being ready to pounce when the opportunity presents itself.” Again, knowing all of this is half the battle. The other half is applying it.

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

In the 4th quarter of 2015 we sold our investment in KWG Kommunale Wohnen, and have not made any new investments. We sold our stake in KWG at price that valued their real estate portfolio at 700 euro per square meter; a price per square meter that we considered within the fair value range.

There is no foolproof process for finding investment opportunities. It is all about turning over a lot of rocks. We want to share just a few of the companies we have been following – but have not invested in – for the past couple of years and the overall lessons we have re-learned:

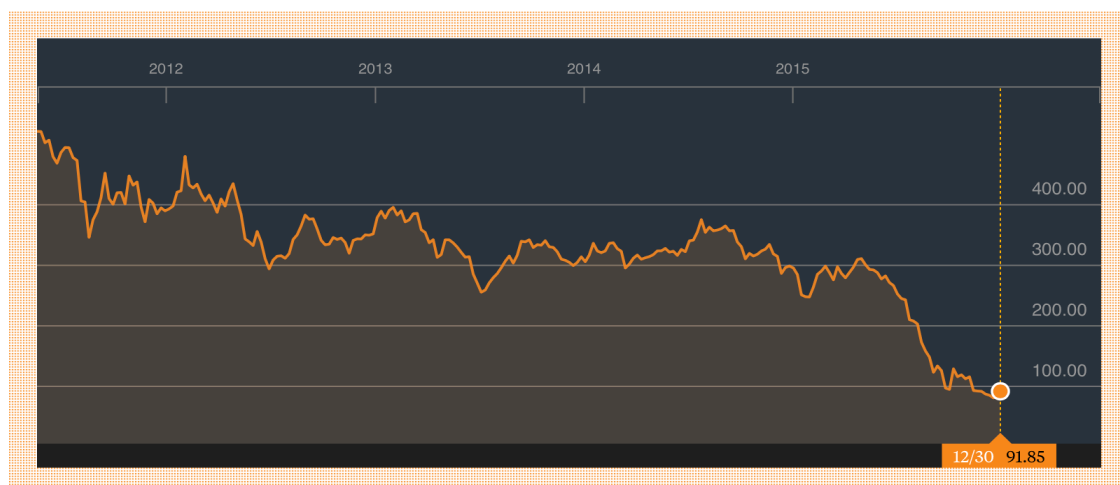
Kinder Morgan



Kinder Morgan is the largest energy infrastructure company in North America. Kinder Morgan owns about 165 terminals that store and handle products such as gasoline, coal and petroleum coke. Until this summer Kinder Morgan was run on a daily basis by Rich Kinder, cofounder and the largest individual shareholder (11%) of the company.

Kinder Morgan decided to slash its dividend by about 75% in December. It was a stunning reversal for a company that had been steadily raising its dividend for years – including a 4% increase announced just three months ago. The drastic reduction was all the more surprising given that, when the company announced the most recent increase, it also projected that the dividend would grow 6% to 10% in 2016. In November of 2014, Rich Kinder even stated that the company would raise dividend distributions for years and years to come. But the latest carnage in the energy sector proved to much for the high levered energy infrastructure company. Kinder Morgan has a net debt position of 42,5 billion USD and a net-debt-to-EBITDA ratio of more than 6. Last summer Kinder Morgan was trading at a projected EV/EBITDA multiple of approximately 18. The share price is down 66% since its 2015 spring high and is currently trading at a projected EV/EBITDA of more than 10.

Glencore



There is no doubt that Ivan Glasenberg, CEO and largest shareholder (15%) of Glencore, one of the world's largest commodity trading and mining companies, misread the metals cycle badly. Under his leadership Glencore took over the mining group Xstrata in a 66 billion usd deal in the spring of 2013. Not only did he make a mega deal near what proved to be the top of the commodity cycle, but he also levered up at the most inopportune time when he inherited 15 billion usd of Xstrata debt.

Glencore operates in 50 countries and employs 181.000 people, and produces and markets more than 90 commodities; in 2014 it took in revenue of 221 billion usd. As of 2014, it ranked tenth in the Fortune Global 500 list of the world's largest companies. Glencore IPO-ed in May of 2011 and closed its first trading day above 5 gbp per share. At the beginning of last summer it was still trading close to 4 gbp per share. But the continuing collapse commodity prices forced one of the mining world's most aggressive CEO's into retreat, pushing Glencore's Ivan Glasenberg last fall into scrapping the company's dividend, issuing more stock and selling some of the company's assets. Glencore's share price dropped almost 80% from its 2015 high.

LSB Industries



LSB Industries is a diversified holding company founded in 1965. LSB owns a climate control business engaged in the manufacturing and selling of a range of air conditioning and heating products, and a chemical business engaged in the manufacturing and selling of nitrogen based chemical products for fertilizer, industrial and mining applications.

During the last three years, their chemical business encountered a number of significant issues including an explosion in one of their nitric acid plants at the El Dorado Facility in May of 2012. But is mostly after the mismanagement of the re-building of their El Dorado plant that investors voted with their wallets.

Management has increased the budgeted cost of the El Dorado plant construction three times in 2015. First quarter estimates for the El Dorado expansion project were 495-520 million usd, subsequently increased to 660-680 million usd in the 2nd quarter. In the 3rd quarter, management once again increased their cost estimate by \$170 million usd, estimating the project would now cost 830-855 million usd to completed. As a result of the cost overruns, management needed to raise very expensive capital to complete the project. Management issued a 50 million usd senior secured note with a 12% annual interest rate and 210 million usd in redeemable non-convertible perpetual preferred stock with a 14% annual dividend along with warrants to purchase 17,99% of the company at an exercise price of 0,01 usd

per warrant. Following the capital raise announcement, the stock plummeted even more. The share price is down more than 80% of its 2015 high, back to January 2009 levels.

Fagron



At the end of December Ger Van Jeveren, who founded Fagron in 1990, stepped down as CEO of Belgian pharmaceutical ingredients group Fagron. Fagron's share price rose by more than four times from mid-2010 to mid-2015, but has tumbled some 80% since the third quarter of 2015. During the summer Fagron was trading at approximately 29.0x trailing EPS and 14 EBITDA. Since 2010, the company has spent an estimated 275million euro to go from zero sales in the United States to become a leader in US drug compounding. Today, after reimbursements problems in the United States and a severe weakening of the Brazilian economy and currency, the company is in breach of its covenant limit of 3,25 times EBITDA, meaning a capital increase is required.

SunEdison



SunEdison, a wafer manufacturer decided a little over a year and half ago to spin-off its semiconductor business. The business model of SunEdison has evolved twice since 2013. First it was a development company assembling solar and wind energy projects for sale to third parties. With the advent of and frenzy for yield vehicles (yes, the reach for yield), it transitioned to a solar development company

assembling projects to drop into its own yield companies which buy and hold these renewable energy projects.

First the company's stock surged. From October 2014 to July 2015 SunEdison's share price roughly doubled. Now it has now collapsed, tumbling over 85% from highs hit just 5 months ago. The first stage of SunEdison's collapse had to do with its acquisition binge. For a while, the market loved it when the company did a deal – until it went one deal too far. During the summer it acquired Vivint Solar, a residential solar energy development company, for 2,2 usd billion. Suddenly, investors became very worried about funding. The second leg down came when the IPO of SunEdison's second yield company, TerraForm Global, occurred. The IPO turned out to be a huge bust. The core of SunEdison's problem is the company's 11,7 billion usd of debt, 7,9 billion usd of which are at the SunEdison level. The rest is consolidated from its yield companies TerraForm Global and TerraForm Power.

Lessons re-learned:

- Forecasts can be very wrong. Even when made by so-called industry insiders (CEO's, large shareholders-operators).
- Only a few factors, sometimes only one makes or breaks an investment (cf. oil price).
- Leverage magnifies your gains, until it goes wrong. Then it magnifies. This hold true for individual investments and for companies as a whole.
- The more debt you have on your balance sheet, the more certain you have to be about the future (cf. forecasts).
- An investment can go down a lot in price.
- But cheap does not mean it cannot get cheaper.
- And just because a financial asset (bond, equity, etc.) is down (significantly), it does not mean it is cheap or even likely to go up.
- And finally, all of these examples prove again, what Howard Marks, co-founder of Oaktree Capital and distressed debt investor, once stated: (investment) greatness comes from what you do not buy!

At the moment we are researching the corporate bonds of some of these aforementioned debt-laden and complex companies. All of them are at the risk of (further) capital increases. And just because all these examples are down very significantly, it does not mean they are cheaply valued or even likely to go up. Sometimes the original equity investment thesis is largely broken; which might be the case in all of them.

The Next update

You should receive the next investment letter by the middle of April at the latest. In the meantime, please email or call us with any questions or comments you have.

As always, our money is invested right alongside yours. We appreciate your continued trust!

The Tartaros Team

A must watch (5 minutes) about bubbles, past, present and future:

<https://www.youtube.com/watch?v=K-NXDCXzrao>

A must read about stress testing (forecasting), the illusion of control and the importance of a margin of safety: <http://nautil.us/issue/31/stress/what-i-learned-from-losing-200-million>

“While I was still executing the trade, I’d stress tested my strategy by imagining oil prices plummeting by 30 percent, option-implied volatilities spiking to record levels, and so on. The “worst-case” loss I derived in September was \$30 million, less than a sixth of what I ended up losing in October alone. And I still had 13 months to go before the option expired.”

A must read about forecasting:

http://www.mauldineconomics.com/frontlinethoughts/?utm_source=newsletter&utm_medium=email&utm_campaign=frontline

2 Fund Overview

2.1 General Overview (end of Q4 2015)

	Asset Class
Equities	46,80%
Corporate Bonds	1,79%
Cash	51,41%
	100,00%

	Currencies
USD	46,00%
EUR	30,51%
CAD	10,81%
YEN	3,11%
HKD	6,94%
DKK	2,63%
	100,00%

	Industry (as % of Fund)
Mining	5,38%
Services	3,70%
Pharma	0,12%
Energy	1,09%
Telco & Info	2,18%
Basic Industries	9,51%
Mining Services	0,29%
Retail-Wholesale	11,39%
Real Estate	13,04%

2.2 Fund Positions

We have no short positions and no leverage. We are invested long in 26 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	11%
1 < 5 Billion	19%
0,5 < 1 Billion	7%
< 0,5 Billion	63%

<i>Position</i>	<i>% of portfolio</i>
Cash	51,41%
Investment 1	8,51%
Investment 2	6,02%
Investment 3	5,46%
Investment 4	4,48%
Investment 5	2,44%

We sold the following investments:

<i>Disinvestment</i>	<i>Entry Price</i>	<i>% of Portfolio</i>	<i>Return</i>
KWG Kommunale Wohnen	6,84 eur	5,34%	39%

It should be noted that all numbers are approximations.

2.3 NAV series

<i>Série A 1 LEAD</i>	<i>196,81</i>
<i>Série B 3 31/12/10</i>	<i>95,92</i>
<i>Série C 5 31/03/11</i>	<i>93,63</i>
<i>Série D 7 30/06/11</i>	<i>99,84</i>
<i>Série F 13 31/12/11</i>	<i>98,86</i>
<i>Série G 15 31/03/12</i>	<i>97,43</i>
<i>Série H 17 30/06/12</i>	<i>102,58</i>
<i>Série I 19 30/09/12</i>	<i>94,20</i>
<i>Série J 21 31/12/12</i>	<i>98,33</i>
<i>Série K 23 31/03/13</i>	<i>99,45</i>
<i>Série L 25 30/06/13</i>	<i>108,17</i>
<i>Série M 27 30/09/13</i>	<i>103,28</i>
<i>Série N 29 31/12/13</i>	<i>104,47</i>
<i>Série O 31 31/03/14</i>	<i>101,83</i>
<i>Série P 33 31/03/15</i>	<i>91,04</i>
<i>Série Q 35 30/06/15</i>	<i>93,71</i>

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