1 General Overview

Friday, 8 July 2016

"What counts for most people in investing is not how much they know, but rather how realistically they define what they don't know. An investor needs to do very few things right as long as he or she avoids big mistakes. Second, and equally important, we insist on a margin of safety in our purchase price. If we calculate the value of a common stock to be only slightly higher than its price, we're not interested in buying."
- Warren Buffett, 2004

Dear Partners:

The Fund finished the second quarter of 2016 8,24% in the plus, versus -4,67% for the Eurostoxx 50 and versus +2,83% for the MSCI World Index. The Net Asset Value of the Fund is 209,56 (cf. part 2.3 for all the NAVs of all series). Year-to-date the Fund is up 6,48%.

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)*

2016	*jan*	*feb*	*mar*	*apr*	*may*	*jun*	*jul*	*aug*	*sep*	*oct*	*nov*	*dec*	*ytd*
Fund	-2,87	1,59	-0,31	4,63	0,64	2,79							6,48
Msci world	-6,33	0,86	0,33	1,22	-0,50	2,10							-2,54
Eurostoxx 50	-6,81	-2,44	1,15	0,77	0,72	-6,07							-12,33

*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 2016 results reported above are unaudited estimates and may be subject to change.

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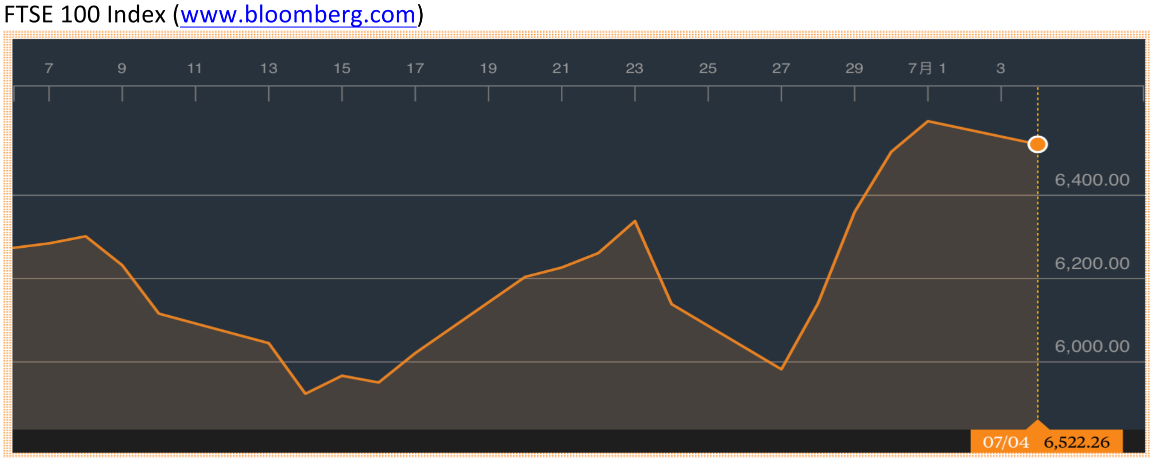
	Tartaros	EuroHedge Global Equity	Euro Stoxx 50	MSCI World	Tradition Fund Low Risk	Traditional Fund High Risk
2008	6,30	-3,82	-6,21	-10,90	-7,28	-19,78
2009	45,52	10,72	21,00	22,67	12,91	28,05
2010	32,64	4,87	-5,85	18,11	6,59	14,30
2011	-2,98	-6,16	-17,05	-4,59	-2,95	-12,27
2012	0,55	3,73	13,79	10,95	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

Noah's Ark

Call this Noah's Law: If an ark may be essential for survival, begin building it today, no matter how cloudless the skies appear.
- Warren Buffet, 2015

The financial markets had a very turbulent second quarter. After months of headlines about the so-called Brexit vote, on Thursday, June 23rd, 52% of the United Kingdom voted to leave the European Union. The result of the U.K.'s referendum caught the financial markets by surprise. They had soared the previous day on the expectation of a remain vote and were thrown into turmoil the next day when it turned out a majority of the British decided otherwise.

FTSE 100 Index (www.bloomberg.com)



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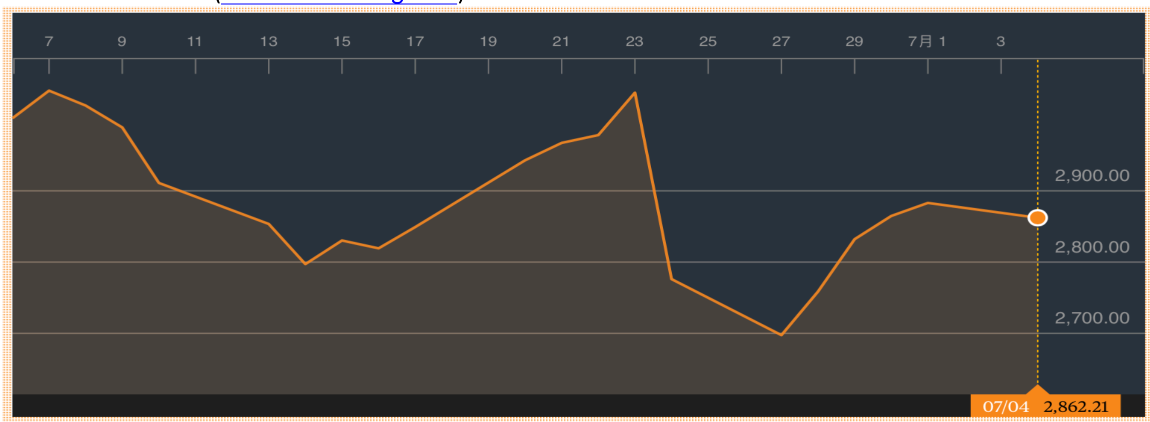
We are sure that you have been bombarded with countless stories about the Brexit vote and we will not bore you with numerous details. For the most part, the financial markets have followed the crisis rule book: government bond yields in developed markets (the US, Germany, Japan and even the U.K.) have dropped, precious metals prices have risen, and equity markets started to decline. But once again, the central banks came to the rescue of the already artificially propped up financial markets: following the precipitous decline in stock markets, the central banks of Europe, the U.K., the U.S. and Japan all hinted at further accommodative monetary policy.

Eurostoxx 50 Index (www.bloomberg.com)



S&P 500 Index (www.bloomberg.com)

We did not have a well-defined opinion in advance of the vote, and we do not know what will happen next. Since the referendum is not legally binding, the U.K. government now needs to exercise article 50 of the Lisbon Treaty in order to officially start the exit process. With the resignation of Prime Minister Cameron becoming effective this fall, the start of the exit process will be in the hands of his successor, who may or may not file this year.

But assuming that the U.K. does leave the European Union a lot of questions come to mind! What will a new economic agreement look like? What will be the economic impact on the E.U. and the U.K.? Will there be spill-over effects to the rest of the world? Is this the beginning – after 70 years of integration – of economic and political disintegration, i.e. the overthrow of the entire status quo regime of the post World War II era?

As value investors we believe the future is inherently uncertain. So we did not anticipate Brexit, nor can we foresee its consequences. But as we have argued for the past couple of years, we believe the markets have borrowed from future returns. Thus markets were already priced for perfection and now an additional dose of (probably downside) uncertainty has been introduced.

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How this all plays out, we have no clue. It is our job to structure a portfolio that will do well over time by first and foremost avoiding permanent loss of capital (build an ark; do not try to predict rain):

"Interestingly, we have beaten the market quite handsomely over this time frame, although beating the market has never been our objective. Rather, we have consistently tried not to lose money and, in doing so, have not only protected on the downside but also outperformed on the upside." - Seth Klarman

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

At the moment we neither own any U.K. (listed) companies, nor any companies that generate their earnings in the U.K. This might of course change in the future.

In the 2nd quarter of 2016 we made two small investments.

Asset managers can be great businesses to own since they benefit from a sort of recurring revenue in combination with great operating leverage. The biggest risk with an asset manager is that the operating leverage obviously works both ways. So when assets under management decline, the operating leverage works in reverse. e.g. if assets under management decrease by 30%, earnings will decline by more than 30% because there is a certain level of fixed costs (e.g. mostly HR and IT costs). A lot of alternative asset managers (Fortress Investment Group, The Carlyle Group, The Black Stone Group) are trading at inexpensive valuation levels, but with financials assets – i.e. the basis of their assets under management – trading at expensive levels, we do not want to take the risk of having their operating leverage working against them.

Taking this into consideration we recently invested in the RMR Group. RMR's business consists of providing different management services to 4 publicly traded Real Estate Investment Trusts, 3 real estate operating companies, and one real estate securities closed-end fund. The company's main business is the management of 4 well-capitalized publicly traded REITs. Two facts are materially different from the issues mentioned here above:

- The base management fees are calculated primarily on enterprise value (i.e. value of net debt and equity). Because this fee stream is based on enterprise value any declines in the public equity value of the REITs will have a muted impact on fees because the enterprise values of these listed investment trusts consist of approximately 50% debt today.
- The 20-year management contract terms are so stringent and are automatically renewed every year – thus the remaining term on the agreement is always 20 years – that RMR is almost permanently entrenched as the manager of these REITs.

In 2014 the Portnoy brothers, the majority shareholders of RMR, lost a REIT management contract they had with Commonwealth REIT – i.e. Equity Commonwealth, today managed under the chairmanship of Sam Zell, is a current holding of the Fund – to 2 activist investors. They were managing 4 more REITS and were rightfully concerned about losing the contracts for these as well. The Portnoys learned their lesson with Commonwealth REIT, and designed the current contract structure to entrench RMR permanently as the asset manager of the 4 remaining REITs.

Unfortunately, a run-up in the share price in combination with our strict valuation criteria has allowed only a small investment by the Fund.

A second small investment that we are still patiently building is in a very profitable Japanese subscription-based financial information business. More information on this company will follow when we have established a bigger investment position.

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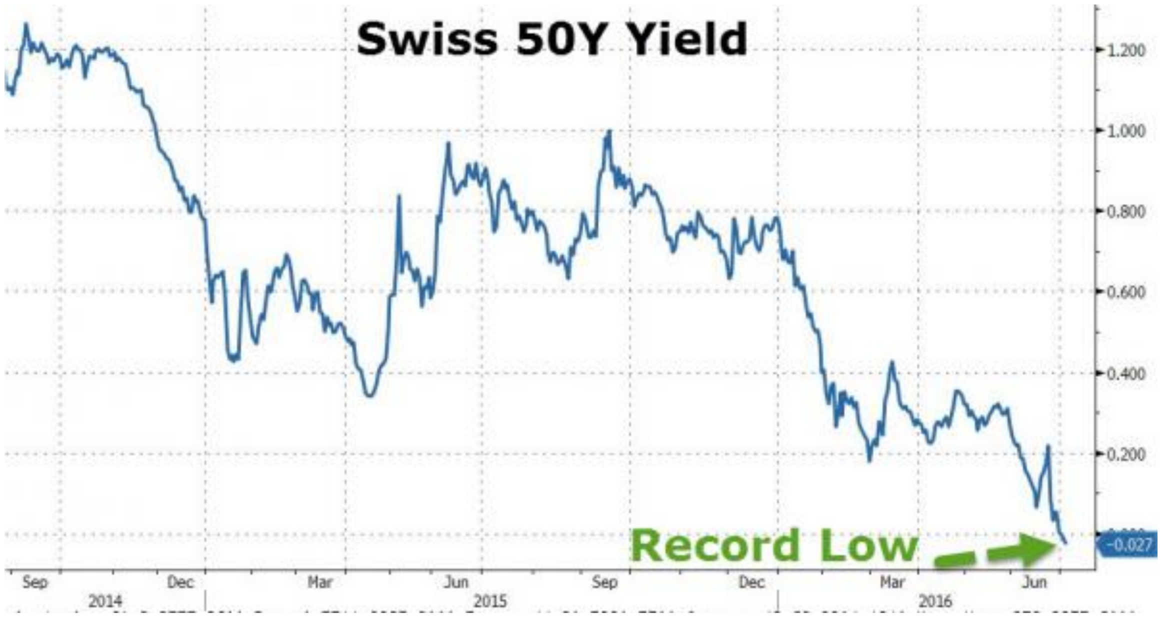
Just because it is baffling…

For the first time in history Swiss 50 year government yields have tumbled below zero (trading as low as -2.7bps). Investors are now paying the Swiss government for the privilege of lending to them 50 years out!



source: www.zerohedge.com

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 decision making; the major lesson is "ignorance removal" and the notion that decision-making is not about making brilliant decisions, but avoiding terrible ones: https://www.poorcharliesalmanack.com/all_i_want_to_know.php

The Next update

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

Enjoy the summer holidays!

The Tartaros Team

2 Fund Overview

2.1 General Overview (end of Q2 2016)

	Asset Class
Equities	50,67%
Corporate Bonds	1,83%
Cash	47,50%
	100,00%

	Currencies
USD	49,82%
EUR	23,46%
CAD	13,94%
YEN	3,88%
HKD	6,67%
DKK	2,23%
	100,00%

	Industry (as % of Fund)
Mining	9,25%
Services	4,00%
Pharma	0,04%
Energy	1,09%
Telco & Info	2,84%
Basic Industries	7,11%
Mining Services	0,90%
Retail-Wholesale	10,99%
Real Estate	12,77%

2.2 Fund Positions

We have no short positions and no leverage. We are invested long in 27 positions.

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

Market Capitalizations in USD	*% of equities invested*
> 5 Billion	11%
1< 5 Billion	18%
0,5 < 1 Billion	7%
< 0,5 Billion	64%

Position	*% of portfolio*
Cash	47,50%
Investment 1	7,95%
Investment 2	6,18%
Investment 3	4,24%
Investment 4	3,68%
Investment 5	2,35%

It should be noted that all numbers are approximations.

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2.3 NAV series

TARTAROS FIS SCA GLOBAL VALUE CL A CAP	209,56
TARTAROS FIS SCA GLOB VALUE B CAP 31/12	102,14
TARTAROS FIS SCA GLOB VALUE C CAP 31/03	99,70
TARTAROS FIS SCA GLOB VALUE D CAP 30/06	106,31
TARTAROS FIS SCA GLOB VALUE F CAP 311211	105,27
TARTAROS FIS SCA GLOB VALUE G CAP 310312	103,75
TARTAROS FIS SCA GLOB VALUE H CAP 300612	109,23
TARTAROS FIS SCA GLOB VALUE I CAP 300912	100,30
TARTAROS FIS SCA GLOB VALUE J CAP 311212	104,70
TARTAROS FIS SCA GLOB VALUE K CAP 310313	105,89
TARTAROS FIS SCA GLOB VALUE L CAP 300613	115,18
TARTAROS FIS SCA GLOB VALUE M CAP 300913	109,97
TARTAROS FIS SCA GLOB VALUE N CAP 311213	111,24
TARTAROS FIS SCA GLOB VALUE O CAP 310314	108,44
TARTAROS FIS SCA GLOB VALUE P CAP 310315	96,95
TARTAROS FIS SCA GLOB VALUE Q CAP 300615	99,78
TARTAROS FIS SCA GLOB VALUE R CAP 311215	106,48

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