1 General Overview

Saturday, 3 July 2010

Dear Partners:

The Fund finished the second quarter of 2010 4,15% in the plus. The Fund is up 67,92% since the start of the Fund versus 14,34% for the MSCI World Index (in €). The Net Asset Value of the Fund at the end of the first quarter of 2010 is 167,92.

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)*

2008	*jan*	*feb*	*mar*	*apr*	*may*	*jun*	*jul*	*aug*	*sep*	*oct*	*nov*	*dec*	*ytd*
Fund										5,36	-3,82	4,89	6,30
Msci world										1,11	-6,50	-5,75	-10,90
2009	*jan*	*feb*	*mar*	*apr*	*may*	*jun*	*jul*	*aug*	*sep*	*oct*	*nov*	*dec*	*ytd*
Fund	8,54	-2,06	2,80	10,62	9,59	-3,94	4,45	0,27	2,60	-0,50	4,53	2,32	45,52
Msci world	-1,05	-9,25	1,91	11,18	2,28	-0,87	8,34	2,93	1,27	-2,97	2,33	6,05	22,67
2010	*jan*	*feb*	*mar*	*apr*	*may*	*jun*	*jul*	*aug*	*sep*	*oct*	*nov*	*dec*	*ytd*
Fund	-3,21	5,62	1,96	5,19	-0,68	-0,32							8,55
Msci world	-1,17	4,19	6,64	1,07	-2,47	-3,34							4,62

*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.

*Please note that individual investor net returns will vary due to the timing of one's investment. The 2010 results reported above are unaudited estimates and may be subject to change.

It should be noted that we have made a slight adjustment to the performance graphs. The graphs now depict the Fund performance, and the Fund outperformance against the MSCI World Index (in €) and the Eurostoxx 50 Index (in €). In the second quarter the U.S. Dollar surged almost 10% against the beleaguered Euro. The MSCI World Index performance in Euro hence hides the panic that reigned on the stock markets worldwide. The addition of the Eurostoxx 50 Index should help to give a clearer picture. It is important to note that the Eurostoxx 50 index is back to the same level it was at the start date of the Fund (cf. 100 euro invested graph).

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A mountain of debt

"Those who spend too much will eventually be owned by those who are thrifty."
- Sir John Templeton

We are reminded once again that it is largely the fluctuations that throw up the bargains and the uncertainty due to fluctuations that prevent other people from taking advantage of them.

Borrowing has been the answer to all economic troubles of the past 30 years. Now borrowing (i.e. debt) itself has become the problem. The problem is that we just keep kicking the can farther down the road. The hope is that we can grow ourselves out of our problems, but there's still far too much leverage in the system. It's gone from a private-sector leverage issue to a public-sector leverage issue, but there's still a leverage issue.

For the entire OECD countries, general government debt as a share of GDP alone has ballooned from 73% when the recession started in 2007 and will climb to a record 104% next year. It took 15 years for this ratio to go from 63% to 73%, but just four years to get to 103% from 73%. Total claims in the OECD countries at all levels of society just broke above 360% of GDP and that is clearly unstable. Suffice it to say, many of these debts will not be serviceable; identifying where the defaults and haircuts take place, across countries and sectors, will require a tremendous level of skill.
People have to understand that 80% or higher debt-to-GDP ratio is a new dynamic and a game changer in Europe and in the United States. The bottom line is that all levels of society, and across most countries in the industrialized world, have far too much debt and far too much debt-servicing costs in relation to income. In fact, tally it all up and the world is awash with $222 trillion of total liabilities, or the equivalent of 362% of global GDP. Extinguishing this debt will be deflationary as central banks will be forced to print money as an antidote and we are really in the early stages of this deleveraging cycle. (source: David Rosenberg)

So let's get the story correct. We are still in the midst of a credit collapse where there is simply too much debt and debt service globally relative to worldwide income. Nobody can borrow his or her way to prosperity. We have built a mountain of debt and it is about to topple over. We just have to avoid to get crushed by it. (cf. Tartaros Investment Maxims)

Read the Economist special report on debt (available online) and the Mckinsey report on deleveraging (cf. attachment)!

A serial killer's modus operandi

" This guy is methodical, exacting, and worst of all, patient."
- Detective William Somerset about the serial killer, in the movie Seven

We cannot predict the bottom of the stock markets, but we "love" the stocks we own even if we cannot predict the timing in which they will appreciate. At these levels, for the Fund's portfolio we are value investors and must look past short term market swings – when cheap investments might get cheaper – through to a time when these valuations will be recognized by the market or potential acquirers.

In speaking with some of you, we realized it is important to keep emphasizing the focus on the long term. So it should be noted that we expect our first negative quarterly return sooner rather than later.

Warren Buffet once stated that to invest successfully over a lifetime does not require a stratospheric IQ, unusual business insight, or inside information; what is needed is a sound intellectual framework for decisions and the ability to keep emotions from corroding that framework. So, we try to be methodical, exacting, and "best" of all, patient… We hope you bear with us…

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Books for the beach

Lords of Finance: 1929, the Great Depression, and the Bankers Who Broke the World - Liaquat Ahamed

→ This has happened before. The current financial crisis has only one parallel: the Wall Street Crash of 1929 and subsequent Great Depression of the 1930s, which crippled the future of an entire generation. The similarities are scary!

Great Depression Diary - James Ledbetter

→ This book details a first-person diary account of living through the Great Depression, with surprising parallels to our own time.

The Intelligent Investor - Benjamin Graham

→ The pure 1949 text by Benjamin Graham offers the value investing principles as he originally laid them out - principles that continue to stand more than half a century since the book was first published. We have read it, re-read it and will be reading it again this summer.

The Passage - Justin Cronin

→ An epic post-apocalyptic-slash-vampire page-turner. An end of the world story to keep your minds of the financial post-apocalypse!

The Raw Shark Texts - Steven Hall

→ Bizarre, intriguing, intelligent!

Housekeeping and next update

You should receive the next update at the beginning of October.

As always, please feel free to email or call us with any questions or comments you have.

Thank you for your continued referrals, interest and support! We hope you will all enjoy the summer!

Best Regards,

The Tartaros Team

2 The World in Debt

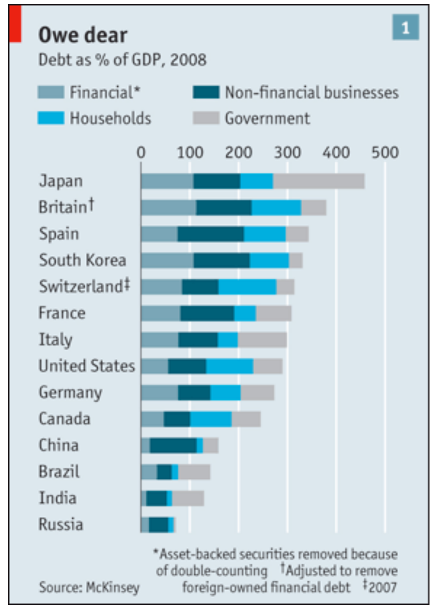
The pain in Spain

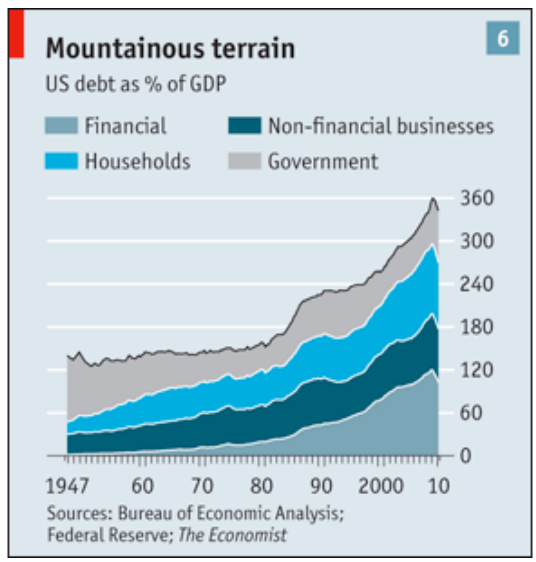
Countries ranked* by sustainability of debt position

	% of GDP, 2010, forecast			
	Primary budget balance, cyclically adjusted†	Net debt†	GDP growth less cost of finance‡, %	Sovereign debt, years to maturity§
Spain	-5.2	44.3	-3.5	6.4
Britain	-5.7	53.5	-0.2	13.7
Japan	-5.0	114.9	0.8	5.5
Portugal	-2.8	64.3	-3.0	6.6
Ireland	-4.7	39.9	-4.8	6.9
Greece	1.0	97.8	-12.2	7.8
United States	-7.1	66.6	2.2	4.8
France	-3.2	57.2	0.3	7.0
Italy	1.8	104.1	-1.3	7.2
Hungary	2.1	60.1	-2.2	3.5
Austria	-1.1	40.9	0.2	7.1
Netherlands	-2.0	34.4	0.4	5.9
Germany	-1.2	52.7	0.5	5.6
Belgium	1.9	83.3	0.4	5.9
Poland	-4.8	27.9	1.1	5.2
Czech Republic	-3.0	4.8	0.6	6.2
Canada	-1.4	30.3	3.2	6.0
Denmark	-0.5	0.5	1.2	7.6
Norway	-4.0	-153.4	3.0	5.8
Australia	-1.8	0.2	2.6	4.9
Switzerland	0.3	6.2	1.4	6.4
Finland	-0.4	-57.0	2.4	4.8
Sweden	1.7	-19.6	2.6	6.6

*Based on the sum of the countries' rank for the first three debt measures †General government ‡Forecast average nominal GDP growth for 2010-11 less latest yield on government bonds of average maturity §Weighted average

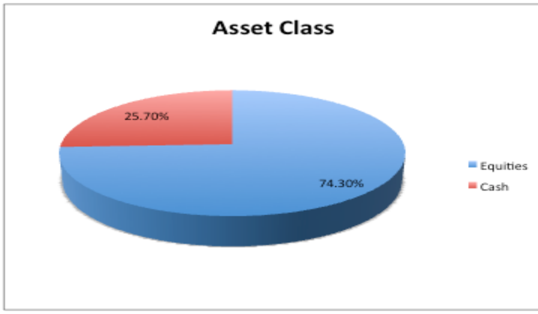
Source: Bloomberg; OECD; *The Economist*

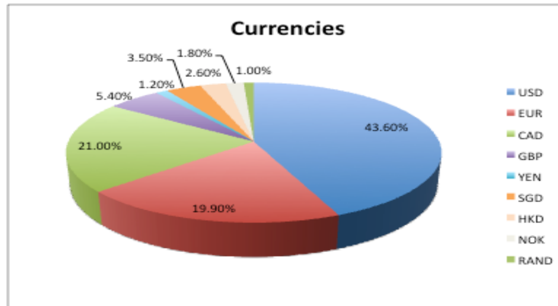


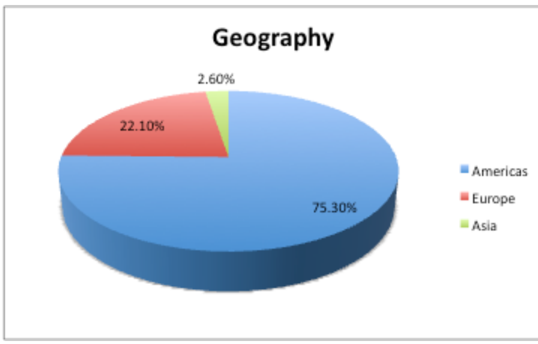


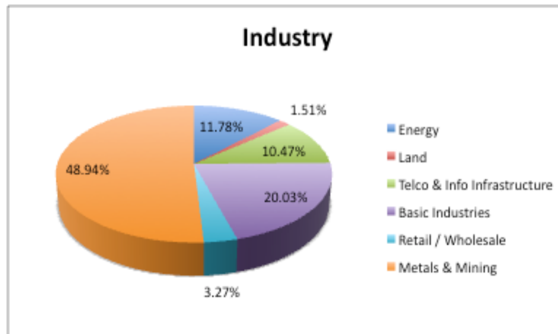
3 Fund Overview

2.1 General Overview (end of Q2 2010)









2.2 Fund Positions

We currently have no short positions and no leverage. We are invested long across 31 investment positions. The portfolio is invested in companies across a range of market capitalizations:

Market Capitalizations in USD	% of equities invested
> 5 Billion	7%
1< 5 Billion	23%
0,5 < 1 Billion	17%
< 0,5 Billion	53%

We sold out our position in Macquarie International Infrastructure Fund (3,8% of the Fund at the time of disinvestment) for a 91,57% return or a 62,47% annualized return. And we closed out our position in Pacific Premium Property Development (2,5% of the Fund at the time of disinvestment) for a 52,64% return or a 65,35% annualized return.

It should be noted that all numbers are approximations.