1 General Overview

Tuesday, 8 July 2014

Who wouldn't dare to be great? No one. Everyone would love to have outstanding performance. The real question is whether you dare to do the things that are necessary in order to be great. Are you willing to be different, and are you willing to be wrong? In order to have a chance at great results, you have to be open to being both.
- Howard Marks

Dear Partners:

The Fund finished the second quarter of 2014 3,55% in the plus, versus +5,14% for the MSCI World Index and versus +2,01% for the Eurostoxx 50 (cf. graphs attached to email). Year to date we are up 6,23%. The Net Asset Value of the Fund is 200,12 (cf. part 2.3 for all series' NAVs). We currently have a 34,24% cash position.

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)*

2014	*jan*	*feb*	*mar*	*apr*	*may*	*jun*	*jul*	*aug*	*sep*	*oct*	*nov*	*dec*	*ytd*
Fund	2,52	1,02	-0,94	-0,93	0,91	3,58							6,23
Msci world	-0,83	+0,98	1,63	0,06	3,77	1,27							7,01

*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 2014 results reported above are unaudited estimates and may be subject to change.

	Tartaros	EuroHedge Global Equity	Euro Stoxx 50 (excl. dividends)	MSCI World (excl. dividends)	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	10,37	10.59	17,62	3,69	12,11
Annualized	12,95	3,56	3,39	9,55	3,72	5,20
Cumulative	88,39	19,97	18,95	60,72	20,96	30,19
80% of traditional funds underperform 0.5% of traditional funds outperform more than 3% over the very long term						

Do you dare to look wrong?

Two weekends ago a friend (he is also a fellow shareholder with all of us) and I were watching the penalty shoot-out of the world cup game between Brazil and Chili. A lot of penalties were stopped and/or missed during the shoot-out. One of those stopped penalties was kicked through the middle. Everybody in the room started shouting that kicking at the center of the goal was terrible way of kicking a penalty. Immediately, I was reminded of something that I read a couple of weeks earlier in the book Think Like a Freak, written by the Freakonomics authors Steven D. Levitt and Stephen J. Dubner. According to Levit and Dubner, you have roughly a 75% chance of being successful at a penalty kick if you are a professional football player. Here are the other stats from the book that give you the complete picture:

- He is 11 meters away from the goal, which is 7,32 meters across and 2,44 meters high.
- He will kick the ball at 129 km per hour.
- The goalkeeper cannot afford to wait and see where you will kick. Therefore, he must decide where you are going to kick the ball and move in that general direction. If he makes the wrong guess, you have a 90% chance of scoring.
- If you are a right- footed kicker, as most players are, going left is your "strong" side. That translates to more power and accuracy— but of course the keeper knows this too. That's why keepers jump toward the kicker's left corner 57 percent of the time, and to the right only 41, which means that the keeper stays in the centre a mere 2% of the time.
- Although a kick towards the center, as risky as it may seem, is 7 % points more likely to succeed than a shot to a corner.

But only 17 % are ever kicked down the centre! Why? There are two minor reasons and one big one! One reason is that kicking the ball straight at the goalkeeper goes against common sense. Another one is that the keeper doesn't know where the kicker will aim. If kickers did the same thing every time, their success rate would plummet; if they started going center more often, keepers would adapt.

TARTAROS SICAV-FIS, S.C.A.
287, route d'Arlon
L-1150 LUXEMBOURG

TARTAROS INVESTMENT PARTNERS sàrl
7, route d'Esch
L-1470 LUXEMBOURG

But the most important reason for not aiming dead straight is the fear of shame, the fear of looking wrong!

In Think Like a Freak, Steven D. Levitt and Stephen J. Dubner put it the following way:

"There is a third and important reason why more kickers don't aim center, especially in a high- stakes setting like the World Cup. But no soccer player in his right mind would ever admit it: the fear of shame.

Imagine again you are the player about to take that penalty kick. At this most turbulent moment, what is your true incentive? The answer might seem obvious: you want to score the goal to win the game for your team. If that's the case, the statistics plainly show you should kick the ball dead center. But is winning the game your truest incentive?

Picture yourself standing over the ball. You have just mentally committed to aiming for the center. But wait a minute— what if the goalkeeper doesn't dive? What if for some reason he stays at home and you kick the ball straight into his gut, and he saves his country without even having to budge? How pathetic you will seem! Now the keeper is the hero and you must move your family abroad to avoid assassination.

So you reconsider.

You think about going the traditional route, toward a corner. If the keeper does guess correctly and stops the ball— well, you will have made a valiant effort even if it was bested by a more valiant one. No, you won't become a hero, but nor will you have to flee the country.

If you follow this selfish incentive – protecting your own reputation by not doing something potentially foolish – you are more likely to kick toward a corner.

If you follow the communal incentive – trying to win the game for your nation even though you risk looking personally foolish – you will kick toward the center."

Howard Marks also wrote about daring to look wrong in his April investment memo. Because this is really the bottom-line in kicking a penalty and in investing: not whether you dare to be different or to be wrong, but whether you dare to look wrong.

Most people understand and accept that in their effort to make correct investment decisions, they have to accept the risk of making mistakes. That's why we always say we are in the business of making mistakes. But while everybody accepts that attempting to be a superior investor has to entail the risk of loss, many investors find it unacceptable to look significantly wrong. Most institutional investors' true incentives are not about long term investment performance, but are about career or company risk. If the institutional investors look wrong for too long (read: stray from their respective benchmark), they risk losing their job or the investment company risks losing clients.

Howard Marks summed it up nicely in his latest memo:

"Charlie Munger was right about it not being easy. I'm convinced that everything that's important in investing is counterintuitive, and everything that's obvious is wrong. Staying with counterintuitive, idiosyncratic positions can be extremely difficult for anyone, especially if they look wrong at first. So-called "institutional considerations" can make it doubly hard.

Investors who aspire to superior performance have to live with this reality. Unconventional behavior is the

TARTAROS SICAV-FIS, S.C.A.
287, route d'Arlon
L-1150 LUXEMBOURG

TARTAROS INVESTMENT PARTNERS sàrl
7, route d'Esch
L-1470 LUXEMBOURG

only road to superior investment results, but it isn't for everyone. In addition to superior skill, successful investing requires the ability to look wrong for a while and survive some mistakes. Thus each person has to assess whether he's temperamentally equipped to do these things and whether his circumstances – in terms of employers, clients and the impact of other people's opinions – will allow it . . . when the chips are down and the early going makes him look wrong, as it invariably will. Not everyone can answer these questions in the affirmative. It's those who believe they can that should take a chance on being great."

http://www.oaktreecapital.com/MemoTree/Dare%20to%20Be%20Great%20II.pdf

Plus ça change, plus c'est la même chose.

It is hard to not see that there is a disconnect between the markets' strength and underlying economic developments globally. History reminds us again and again that there is little incentive for taking the long-term view and that the investment public has a very, very short term memory. So here we are again 7 years after the start (summer 2007) of The Great Financial Crisis. Where do we stand? The BIS, the bank for central banks, recently published its annual report. The BIS has been a longstanding sceptic of the benefits of the ultra-stimulative monetary and fiscal policies of the last years and believes that the global economy is built on shaky foundations (http://www.bis.org/publ/arpdf/ar2014e.pdf):

- Despite the current upswing, growth in advanced economies remains below pre-crisis averages. The slow growth in advanced economies is no surprise: the bust after a prolonged financial boom typically coincides with a balance sheet recession, the recovery from which is much weaker than in a normal business cycle. That weakness reflects a number of factors: supply side distortions and resource misallocations, large debt and capital stock overhangs, damage to the financial sector and limited policy room for manoeuvre. Investment in advanced economies in relation to output is being held down mostly by the correction of previous financial excesses and long-run structural forces. Meanwhile, growth in emerging market economies, which has generally been strong since the crisis, faces headwinds. The current weakness of inflation in advanced economies reflects not only slow domestic growth and a low utilisation of domestic resources, but also the influence of global factors.

- The global economy continues to face serious challenges. Despite a pickup in growth, it has not shaken off its dependence on monetary stimulus. Monetary policy is still struggling to normalise after so many years of extraordinary accommodation. Despite the euphoria in financial markets, investment remains weak. Instead of adding to productive capacity, large firms prefer to buy back shares or engage in mergers and acquisitions. And despite lacklustre long-term growth prospects, debt continues to rise. There is even talk of secular stagnation.

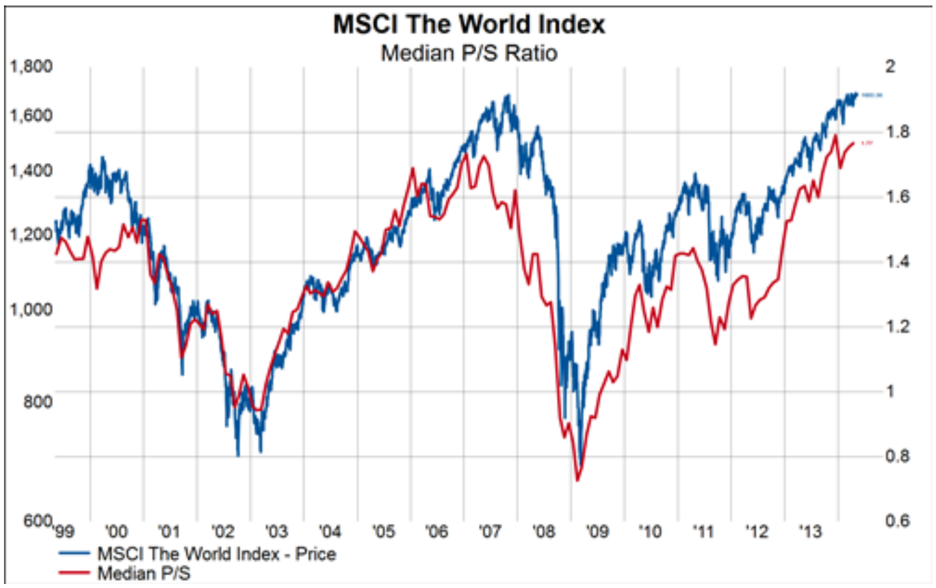
- In contrast, a number of the economies less affected by the crisis find themselves in the late stages of strong financial booms, making them vulnerable to a balance sheet recession and, in some cases, serious financial distress. At the same time, the growth of new funding sources has changed the character of risks. In this second phase of global liquidity, corporations in emerging market economies are raising much of their funding from international markets and thus are facing the risk that their funding may evaporate at the first sign of trouble. More generally, countries could at some point find themselves in a debt trap: seeking to stimulate the economy through low interest rates encourages even more debt, ultimately adding to the problem it is meant to solve.

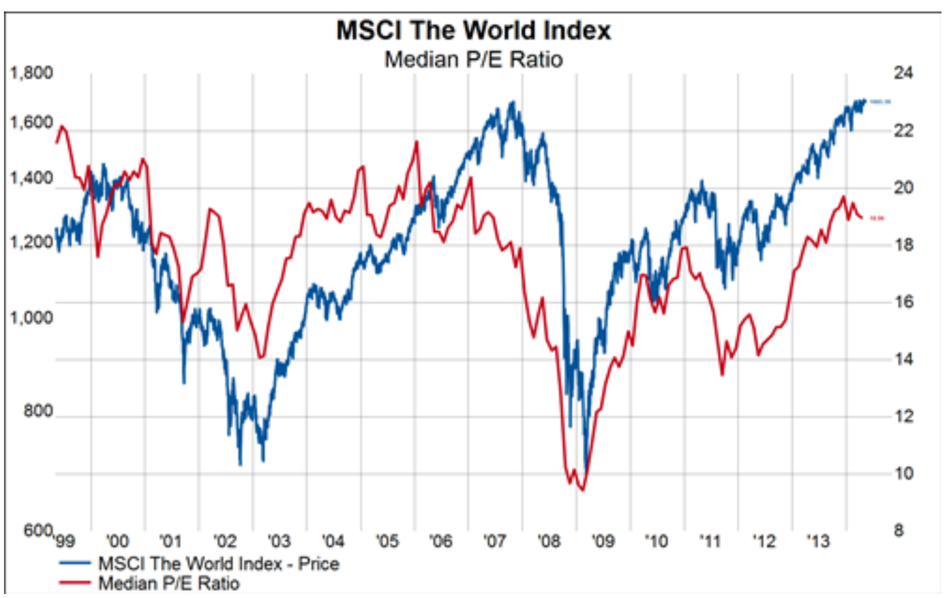
TARTAROS SICAV-FIS, S.C.A.
287, route d'Arlon
L-1150 LUXEMBOURG

TARTAROS INVESTMENT PARTNERS sàrl
7, route d'Esch
L-1470 LUXEMBOURG

- Financial markets have been exuberant over the past year, [...] dancing mainly to the tune of central bank decisions. Volatility in equity, fixed income and foreign exchange markets has sagged to historical lows. Obviously, market participants are pricing in hardly any risks.

- The developments in the year under review thus indicate that monetary policy had a powerful impact on the entire investment spectrum through its effect on perceived value and risk. Accommodative monetary conditions and low benchmark yields – reinforced by subdued volatility – motivated investors to take on more risk and leverage in their search for yield.





Historically low interest rates and volatility has once again lead to an accumulation of more debt. It seems that every mainstream participant in the financial system believes that The Great Financial Crisis was just a hick-up during the era of The Great Moderation (i.e. a reduction in the volatility of business cycle fluctuations starting in the mid-1980s, believed to have been caused by institutional and structural changes in developed nations in the later part of the twentieth century). So, with volatility and interest rates near all time lows and debt and valuation levels back near all-time highs, people are starting to believe in goldilocks once again. But history has taught us that random (financial / economic) shocks occur more or less regularly over time… And that when these shocks arrive few investors are prepared…

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!

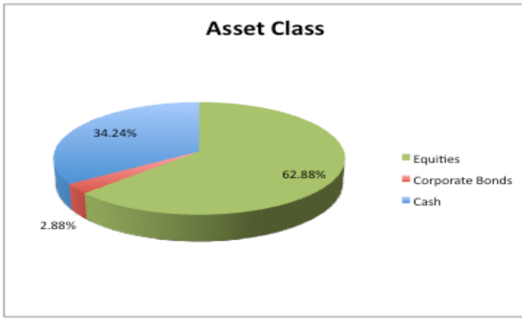
The Tartaros Team

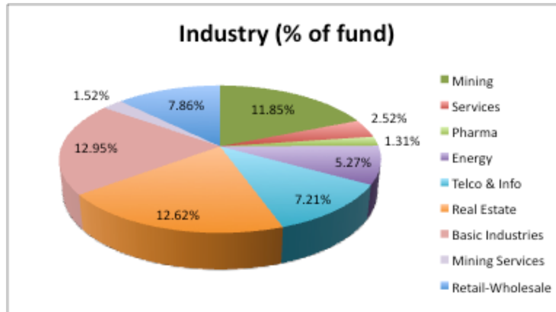
TARTAROS SICAV-FIS, S.C.A.
287, route d'Arlon
L-1150 LUXEMBOURG

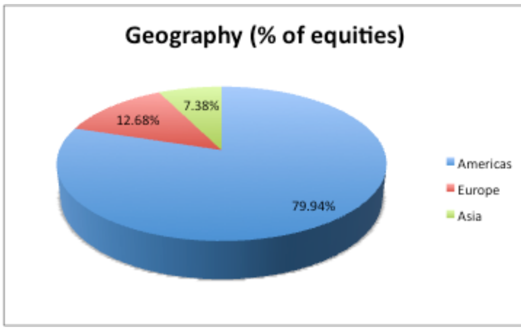
TARTAROS INVESTMENT PARTNERS sàrl
7, route d'Esch
L-1470 LUXEMBOURG

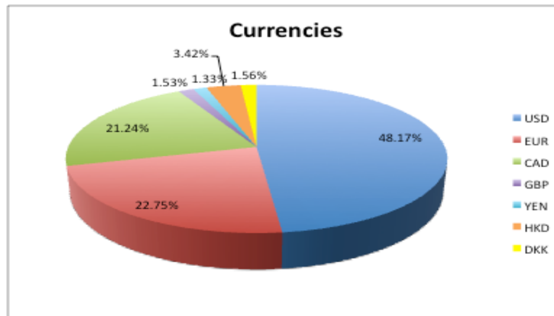
2 Fund Overview

2.1 General Overview (end of Q2 2014)









2.2 Fund Positions

We have no short positions and no leverage. We are invested long in 29 positions.

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

Market Capitalizations in USD	*% of equities invested*
> 5 Billion	14%
1< 5 Billion	22%
0,5 < 1 Billion	7%
< 0,5 Billion	57%

Position	*% of portfolio*
Cash	34,24%
Investment 1	5,27%
Investment 2	5,08%
Investment 3	4,97%
Investment 4	4,18%
Investment 5	3,92%

TARTAROS SICAV-FIS, S.C.A.
287, route d'Arlon
L-1150 LUXEMBOURG

TARTAROS INVESTMENT PARTNERS sàrl
7, route d'Esch
L-1470 LUXEMBOURG

We sold the following investment:

Disinvestment	*Entry Price*	*% of Portfolio*	*Return*
London Mining	1,4 gbp	0,12%	-75%

It should be noted that all numbers are approximations.

2.3 NAV series

Série A 1 LEAD	200,12
Série B 3 31/12/10	97,53
Série C 5 31/03/11	95,21
Série D 7 30/06/11	101,52
Série E 9 30/09/11	106,70
Série F 13 31/12/11	100,53
Série G 15 31/03/12	99,07
Série H 17 30/06/12	104,31
Série I 19 30/09/12	95,78
Série J 21 31/12/12	99,98
Série K 23 31/03/13	101,12
Série L 25 30/06/13	109,99
Série M 27 30/09/13	105,02
Série N 29 31/12/13	106,23
Série O 31 31/03/14	103,55