1 General Overview

Wednesday, 8 July 2009

Dear Partners:

The Fund finished the 1st half of 2009 27,25% in the plus. The Fund is up 35,27% since the start of the Fund versus -8,09% for the MSCI World Index.

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	2,8	10,62	9,59	-3,94							27,25
msci world	-1,05	-9,25	1,91	11,18	2,28	-0,87							3,15

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.

Although we had a very good start, we would like to emphasize that, in our judgment and to our own deepest regret, our 43,36% margin over the MSCI world index is unattainable over any long period of time. Obviously, we hope we can repeat this performance in the coming years, but all our (investment) analysis is based on facts and sound reasoning. This framework of reasoning leaves us to believe that this short term performance is not repeatable. And in any case, hope never gets to play a part in all of this.
We do want to point out that the overall markets needs to rise more than 48% without the Fund's net asset value moving, just to catch up with the Fund's performance. We dare to state that if the securities markets go up almost 50%, the Fund's net asset value will also substantially rise. But we have to note that we expect prolonged periods of much narrower margins over the MSCI world index, as well as at least occasional years when the Fund's performance will be inferior to the MSCI world index.

At the moment – thanks to new commitments at the start of the current quarter by new and existing partners – the Fund has a 36% cash position. Although the stock markets had a strong run-up after touching bottom in March (cf. S&P 500 at the ominous 666 level in March of this year), the overall stock markets are still down since the start of the Fund. We repeat again – especially after the recent run-up – that we should be willing to take some short term pain (temporary market price losses) to be assured of longer term investment gains.

If we could somehow divine the exact market bottoms (as a lot of people are trying to do today; always actually) and exact market tops, our job would be much easier. But unfortunately, we do not have a crystal ball (and we haven't met anyone else who does either), so we focus on finding long term investment opportunities while keeping one eye on general market valuations (valuation cycle) and another eye on the credit market gyrations (credit cycle).

We see no alternative but to continue to act in a patient, cautious fashion. This means positions are built slowly over time. Most investors suffer an action bias (cf. James Montier); a propensity to do something regardless of the presence of investment opportunities. We let investment opportunities decide for us when investment action is necessary. Most of the time, quasi all of the time is spent on researching potential investment opportunities, on finding undervalued securities, those so-called the fat pitches. Warren Buffett often talks of the importance of waiting for the fat pitch. “I call investing the greatest business in the world,” he says, “because you never have to swing. You stand at the plate; the pitcher throws you General Motors at 47! U.S. Steel at 39! And nobody calls a strike on you. There's no penalty except opportunity lost. All day you wait for the pitch you like; then when the fielders are asleep, you step up and hit it.”

As value investors we always factor in that we don’t know what will come next. We focus on the issue of price versus value and owning things because they are cheap. The future value of every investment is a function of its present price. The higher the price you pay, the lower your return will be. Obviously, we try to take advantage of the fact that the market is a pendulum that forever swings between unsustainable optimism (which makes securities too expensive) and unjustified pessimism (which makes them too cheap). We try (emphasis on try) to be realists who sell to optimists and buy from pessimists.

In any case, a lot of value can be obtained for the price paid. This substantial excess of value over price creates a comfortable margin of safety in each transaction. Because no matter how careful we are, the one risk no investor can ever eliminate is the risk of being wrong. Only by insisting on what Benjamin Graham called the "margin of safety" - never overpaying, no matter how exciting an investment seems to be - can you minimize the odds of error.

Your commitment and willingness to invest for the long term and ignore short term market fluctuations gives us a considerable competitive advantage in a world where everybody is focused on the short term relative performance against an arbitrary market level. Remaining focused first and foremost on capital preservation, we are carefully focused on constructing a portfolio of investments that should do very well over the long run.

We consider it a solemn duty to protect and grow your capital. We always remember that many of you (including ourselves) have a large part of your life savings invested in the Fund. In the end, we strive to treat our partners and shareholders the way we would like to be treated were our positions reversed.

Housekeeping and next update

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

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

Thank you for your continued referrals, interest and support!

Best Regards,

The Tartaros Team

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