AUGUST 2012 REPORT

Dear Partners,

The Centaur Value Fund produced a return of +1.4% net to partners in August as compared to a +2.5% return for the S&P 500 index. The Fund's return information is shown in the table below:

	AUG	YTD 2012	SINCE INCEPTION
Centaur Value Fund – Gross Return	**+1.4%**	**+6.7%**	**+338.2%**
Centaur Value Fund – Net Return**	**+1.4%**	**+6.7%**	**+258.2%**
S&P500	+2.5%	+13.5%	+89.1%

The table above shows the performance of the Centaur Value Fund for various periods since the inception of the Fund on August 1, 2002. All CVF figures and S&P500 returns include the impact of dividends. The Gross Return includes the impact of the standard management fees and expenses, but does not include incentive-based fees. Monthly and year-to-date figures are estimates and un-audited. Inception to date figures incorporate audited results from prior years and un-audited results from the current year. See the section entitled "Important Notes" at the end of this letter for more information.

***The Centaur Value Fund Net Returns reflects the experience of an investor who came into the Fund on August 1, 2002, and did not add to or withdraw from the Fund through the end of the most recently reported period. The reported net return figure includes the impact of all performance-based fees as well as high water marks in the cumulative return. However, each investor's individual return will vary depending upon the timing of their investment, the effects of additions and withdrawals from their capital account, and each individual's high water mark, if any.*

August Update

The Centaur Value Fund returned +1.4% in August, while the S&P500 returned +2.5%. For the year-to-date through the end of August, CVF returned +6.7% while the S&P500 has returned +13.5%. The fund's average exposure to the market during the month of August was roughly 65%.

One of the sources of the Fund's relative under-performance this year has been our investment in Dell, which has been a top five position for us for much of the year. The stock performed very well to begin the year and the business itself came in to the year with very strong operating momentum. Unfortunately, Dell's business results the last two quarters have diverged significantly from the prior two quarters. After a disappointing Q2 earnings announcement from Dell during August, we did a full review of our analysis and determined that the recent fundamental deterioration had reduced our conviction in the investment. As a result, we elected to cut our position by half during the month, taking the investment from one of our top five positions to a more modest size. Dell is in the process of making substantial changes to its business model, and this makes it harder to know what the company will look like when it emerges on the other side of its transformation.

We still believe that Dell has many good business qualities that the market is over-looking, which is why we decided not to eliminate the investment entirely. We also believe market sentiment regarding Dell's stock has become exceptionally negative. Perhaps we are being overly contrarian, but when expectations are this low, oftentimes any small unexpected positive development can produce a big bounce in the stock price.

With perfect hindsight, had we sold our entire position in Dell in late January or early February, it would have contributed approximately 1.5% to this year's performance. By not selling, it has cost us nearly 2.5% of performance. That's obviously a very material performance swing. However, there is no turning back the clock, so the only productive course of action is to devote ourselves to the search for compelling new ideas that can drive better performance in the future.

Performance Table Change

Beginning this month, we have decided to discontinue our previous custom of presenting NASDAQ Composite returns in our performance table. There are a couple of reasons for this decision. The first is that, unlike the S&P500 performance where the official index returns are made available on S&P's website, we have not found a reliable source of "official" NASDAQ Composite returns. As a result, we have always calculated the NASDAQ returns ourselves based on market pricing information. We believe our presented figures have been reasonably accurate, but we no longer wish to spend the time each month producing the numbers, nor do we wish to take the chance that any small errors compound over time sufficiently enough to create a misleading return figure for the index.

Secondly and perhaps more importantly, while the NASDAQ Composite includes a rather broad swath of the publicly-traded investable technology stock universe, it is not nearly as representative as the S&P500 in terms of its overall market inclusiveness. As such, we don't believe that the NASDAQ Composite is an index that we particularly care about as a barometer for our investment success. For the record let us state that since inception the Fund has dramatically outperformed the NASDAQ, roughly doubling the performance of the tech index. This is despite a starting value of the NASDAQ at the launch date of CVF that can only be described as very depressed, given that the index had dropped some 75% from the highs reach in early 2000. By comparison, the S&P500 had "only" declined roughly 40% from its all-time highs at the time of CVF's launch. Still, let it also be acknowledged that the NASDAQ Composite index has performed much better than CVF since the market lows of early 2009. We are agnostic regarding CVF's performance relative to the NASDAQ in the future, though we would like to believe that over a full market cycle CVF will remain competitive with any meaningful equity index, and particularly so when considered on a risk-adjusted basis.

We could replace the NASDAQ Index with a different performance benchmark that better represents our investing approach, such as one of the many hedge fund indices. While such a change might make us feel better about our recent performance (long/short equity hedge funds are up only 4.3% year-to-date through August according to www.hedgefundindex.com) we don't think our choice of benchmark changes our investors' experience one bit.

Over a full market cycle, we believe CVF needs to provide a return profile that is superior to a broad passive equity index (either by providing better returns, lower risk, or both) in order to justify its existence. Given that a low-cost S&P500 index fund is an easy and cost-effective way to get equity market exposure, we'd rather just use the S&P500 as our sole benchmark. All that said, we don't want to spend our time worrying about what any index or benchmark is doing in the near term. We want to focus our energies on finding compelling investment opportunities and let the performance take care of itself. Our goals for the Fund are to produce satisfactory returns with acceptable risk over time. We believe that a reasonable goal for any unleveraged risk-sensitive investment approach using a multi-decade time horizon is 12-15% annualized, and we hope to achieve such returns regardless of what the general stock market indices might produce.

Fund Administration

For most of its history CVF has been a "self-administered" fund, which in our case means that we at Centaur Capital have taken responsibility for calculating Fund NAV, partner balances, and performance figures each month. Our figures are always reviewed by an independent accountant and are then sent to the Fund's auditors for final review. By doing the initial work ourselves we have been able to save the Fund both time and money. In terms of accuracy, we have never once had to make a subsequent accounting adjustment due to error or reconciliation issues.

When we first started CVF it was not uncommon for smaller and mid-sized funds to self-administer. However, times have changed and it is now the accepted "best practice" to have fund accounting done entirely by independent firms. We are therefore exploring the idea of engaging a third-party administrator to do the Fund's monthly book-keeping, which we hope will provide other service benefits to our investors as well. We expect that should we elect to engage an administrator, the change would take effect beginning in January 2013. We will provide a further update on this topic when we have finalized our decision.

As always, we appreciate your continued investment in the Centaur Value Fund.

Respectfully yours,

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An investment in the Fund ("CVF") involves a significant degree of risk, and there can be no assurance that its investment objectives will be achieved or that its investments will be profitable. Certain of the performance information presented in this report are unaudited estimates based upon the information available to Centaur as of the date hereof, and are subject to subsequent revision as a result of the CVF's audit. The performance results of CVF include the reinvestment of dividends and other earnings. Past performance is not necessarily a reliable indicator of future performance of CVF. An investment in CVF is subject to a wide variety of risks and considerations as detailed in the confidential memorandum of CVF.

References to the S&P 500 and other indices herein are for informational and general comparative purposes only. Index returns are estimated using information believed to be reliable, but may not reflect actual investor experiences. There are significant differences between such indices and the investment program of CVF. CVF does not invest in all or necessarily any significant portion of the securities, industries or strategies represented by such indices. References to indices do not suggest that CVF will or is likely to achieve returns, volatility or other results similar to such indices.

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