FEBRUARY 2012 REPORT

Dear Partners,

The Centaur Value Fund produced a return of +1.3% net to partners in February as compared to a +4.3% return for the S&P500 index and a +5.4% return for the NASDAQ Composite. The Fund's full return information is shown in the table below:

	FEB	YTD 2012	SINCE INCEPTION
Centaur Value Fund – Gross Return	**+ 1.3%**	**+7.7%**	**+342.2%**
Centaur Value Fund – Net Return**	**+ 1.3%**	**+7.6%**	**+261.4%**
S&P500	+4.3%	+9.0%	+81.5%
NASDAQ Composite	+5.4%	+13.9%	+123.4%

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 include the reinvestment 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.*

February Update

U.S. equity markets continued a strong run in February, led by technology stocks. The NASDAQ Composite was up 5.4% and the S&P500 was up 4.3%, while smaller cap stocks trailed with the Russell 2000 returning approximately 2.3%. After a very strong January, CVF's return in February lagged the market considerably. Several of our long positions hit prices in January and early February that reflected our estimates of fair value and were trimmed or sold, and we suffered a bit of a drag from our short portfolio, to which we added five new names during the month. The Fund ended February with approximately 62% market exposure, which is on the low end of our historical range.

The biggest negative contributor to the Fund's performance in February was Ancestry.com, which was our second largest holding coming into the month. Ancestry.com dominates the genealogical research industry with 1.7 million subscribers and provides access to over 8 billion digitized and easy-to-search records. The company has experienced significant revenue growth in recent years and has also enjoyed strong operating leverage. We purchased our position back in late September 2011 at just under $24, at which point we believed the stock was very attractive given the company's very strong competitive position, growth potential, and a modest valuation of less than 12 times 2011 estimated free cash flow.

The business has also proven highly recession resistant, as the company has increased its free cash flow from $35 million in 2008 to just under $100 million for the full year 2011. Ancestry.com did not recover with the market in the last couple of months of 2011, but the price suddenly exploded upwards in January, reaching a high of $33 as the company announced better than expected subscriber data for the fourth quarter. We trimmed a portion of our holdings above $32, but given our view that fair value for the stock is in excess of $35 we decided to wait until the company announced full year earnings in mid-February to sell more. Unfortunately, while Ancestry.com delivered financial results consistent with our expectations, the market reaction was highly negative and the stock ended the month back below $23. This cost the Fund approximately 1.0% of performance during the month.

Given our view that the stock is exceptionally undervalued and the business is still growing at an impressive rate, we repurchased the shares that we sold in January. As of the end of February, Ancestry.com was the Fund's second-largest portfolio holding at approximately 5.2% of Fund assets.

Annual Tax Forms and Audit Update

The Fund's annual audit and tax preparation activities look to be on schedule and therefore we expect to have the K-1 tax forms completed and sent out to all Fund limited partners within a few days of sending this letter. Due to newly established IRS regulations, we are now required to have your consent in order to send your K-1 form by secure e-mail.

Attached to this letter you will find a notice to this effect. You may respond directly by hitting the "reply" button on the e-mail containing this letter to provide us with your consent. Please direct all other K1 form requests and tax-related inquiries to Gennifer at gashton@centaurcapital.com or at 817-488-9632 X 100.

Constructing an Investing Framework

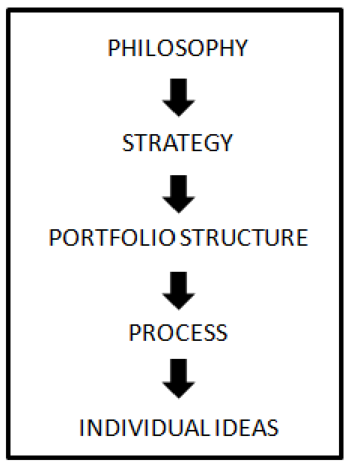
In our January letter, we initiated what will be a series of short essays designed to clarify how we approach the task of investing your capital. The January essay was devoted to identifying the five common causes of investing failure and the safeguards we employ to ensure that both we and our clients are well protected against catastrophic outcomes. We believe that preventing permanent capital loss is our number one goal in managing the Fund, and we agree with the sentiment of one noted value investor who stated that "we'd rather lose our clients than lose our client's money."

In the next several months, we will delve deeper into the strategy and investing process we use in managing the CVF portfolio. Before we discuss the strategy, however, it may be helpful to visualize how we see the pieces of the intellectual puzzle that must fit together in a logical and internally consistent manner required for any intelligent investment approach. The logical construction of an investing framework is the topic of this month's essay.

The Five Elements

As we see it, there are really five elements that all must fit together and reinforce each other to produce a sound investing framework. First, there is the underlying philosophy that forms the "world view" that will guide the process. Second, there is the strategy, or a more detailed plan about how that world view will actually be put into practice. Third is a portfolio structure, which will further guide how individual investments are expressed. Since every investment approach must ultimately involve the decisions to actually buy or sell some security or financial asset, this requires a process for identifying and qualifying the underlying investment "ideas" for transactions that are consistent with the philosophy and the strategy. The individual ideas or positions themselves represent the last and most granular level of the framework.

INVESTING FRAMEWORK



To demonstrate how the five elements work together, let us take a popular asset class today, such as gold. If one were to construct an investment framework around gold, the underlying philosophy or world view would likely be that gold is an attractive asset and is expected to rise in value over the long term due to various structural reasons having to do with an increase in money supply, general inflation, and potentially other factors. The strategy would then determine how to implement that world view, which might be the purchase of gold bullion, gold stocks, gold royalties, derivatives on gold, or a mixture of gold and other precious metals that have similar qualities.

The portfolio structure would determine how positions are sized and how much exposure the strategy would be willing to take to gold, whether and when to use hedges or short sales, and other important factors. Then there would be a process for the identification and purchase of assets that meet the criteria established by the strategy. The execution of this process over time would result in the end product -- a portfolio populated by individual assets where each position in the portfolio is a logical expression of the philosophy or otherwise contributes to the strategy, conforms to the desired portfolio structure, and meets the stated selection criteria.

Some investment strategies are products of a philosophy or world view that are temporary in nature. In our gold example above, if something in the world altered the belief that gold was likely to be an attractive long-term asset, it would negate all the elements beneath it. There's no point in pursuing an investing strategy to express an underlying world view or philosophy if that world view is no longer valid or relevant. In our view there is nothing inherently wrong with a strategy designed with a temporary world view, so long as this is understood and the strategy is not pursued beyond the point of validity. One positive example of a temporary but extremely powerful investing strategy would be that of the dedicated funds set up to purchase insurance on sub-prime mortgage structured products in advance of the 2007-2009 housing downturn. However, it should also be noted that the same underlying positions could have been (and in many cases were) included in more general investment strategies, and at some point the line between what is a strategy and what is essentially a multi-year trade or theme can become somewhat blurry.

The CVF Strategy Elements

The Centaur Value Fund strategy is designed to be evergreen in nature and to allow for considerable flexibility in its expression. The underlying philosophy or world view that drives the CVF strategy is clearly that of value investing. The core belief of value investing is that the equity markets tend to offer, for many different but highly predictable reasons, a variety of opportunities to purchase assets at a significant discount to a conservative estimate of underlying business value. On the other side of the spectrum, we extend the concept a bit further in our underlying world view that just as the stock market undervalues assets, it can also dramatically over-value assets.

The CVF strategy is relatively simple. On the long side, we strive to assemble a portfolio of under-valued securities that ideally possess a mixture of capital appreciation potential and downside protection. Ideally, we are looking for portfolio companies that are leaders in a given market or industry, have strong balance sheets, and pound out free cash flow that the management can use to pay dividends, buy back shares, and invest to grow the business either organically or by acquisition. On the short side, we look to bet against selected ideas that represent a sort of "photo negative" of the type of security we would be attracted to on the long side. Ideally, these "anti-value" securities will be overvalued, extremely risky, or otherwise offer compelling insurance or hedges against the positions in the long portfolio. We prefer shorting individual companies that do not generate consistent cash from the business, are over-leveraged, or trade at valuations that are unlikely to be justified by the underlying business performance. However, the CVF strategy is long-biased, due to our underlying world view that value-oriented long investing is much more reliable and generates higher returns than value-based short selling, which tends to generate a much lumpier return profile and which is therefore a generally less attractive investment activity.

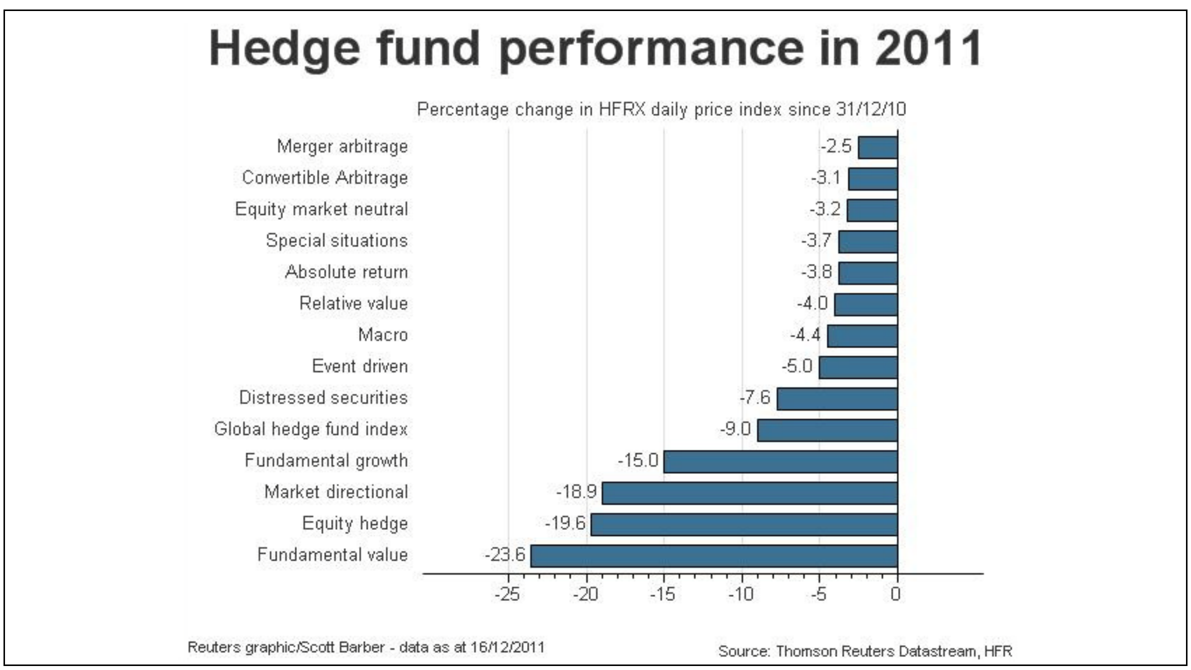
This world view of the inherent attractiveness of the long side versus the short side is expressed in our underlying portfolio structure. The CVF portfolio structure allows for up to 125% economic exposure on the long side, while allowing only 40% direct short exposure plus a small additional budget for purchasing hedges via options.

The CVF portfolio structure emphasizes concentration on the long side, while the short side tends to have fewer ideas and smaller individual position sizes, again consistent with our world view on the overall merits of shorting in general. We typically have anywhere from 5 to 15 individual short ideas in the portfolio at any given time.

Absolute Return Mentality but Long-Biased Strategy

A pure "absolute return" strategy would be one that essentially attempts to generate positive returns without regard to the market environment and typically maintains a very modest market exposure (usually ranging from 20% to -20%). It is important to understand that while we have an absolute return mentality in the sense that we invest both long and short with a profit expectation, our strategy is not "purely" absolute-return because our portfolio structure is always long-biased. What this means is that when the market is going up, we generally try to capture some reasonable percentage of that performance, but we are almost sure to lag the market during those periods when the market is advancing strongly. During periods when the market is declining strongly, we would generally expect to lose considerably less on a percentage basis than the broad market. Finally, during those stretches where the market doesn't have a strong trend in either direction, we would hope that our portfolio would still be able to produce profits as our long portfolio holdings compounded away at a reasonable clip. It is our objective that over an extended time frame, the results net out to satisfactory returns that are achieved with greater reliability and lower risk than that achieved by a broad stock market index or other, similar investing vehicles.

While the fundamental value-based approach that we use in CVF has worked over time, it hasn't worked all the time. One of our readers sent in a chart of hedge fund industry performance by strategy in 2011, which is reproduced below:



As can be seen from the table, equity hedge fund strategies based on fundamental value strategies performed the worst in 2011, down approximately 20% on average. These figures rivaled those of 2008, which of course was a year that featured much greater market distress and dislocation.

What is important is making sure those periods where our strategy is not producing immediate results don't throw us off our game. We have worked hard to review and improve our decision making process, but we won't change our fundamental approach to investing to accommodate the market's tastes and fashions. Rather, we believe that our value-based approach and strategy is a logical and proven approach to investing, one that has worked well for us and our clients in the past. So long as we continue to focus our efforts on the process of identifying compelling investment ideas that meet our criteria for value and safety, we believe we will eventually be rewarded with returns commensurate with the quality of our decisions.

We will continue our series of essays with next month's letter. As always, we appreciate your continued investment in the Centaur Value Fund.

Respectfully yours,

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References to the S&P 500, NASDAQ Composite and other indices herein are for informational and general comparative purposes only. 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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