CENTAUR VALUE FUND

MARCH 2012 REPORT

Dear Partners,

The Centaur Value Fund produced a return of +0.6% net to partners in March as compared to a +3.3% return for the S&P500 index and a +4.2% return for the NASDAQ Composite. The Fund's full return information is shown in the table below:

	MAR	YTD 2012	SINCE INCEPTION
Centaur Value Fund – Gross Return	**+ 0.7%**	**+8.4%**	**+345.3%**
Centaur Value Fund – Net Return**	**+ 0.6%**	**+8.3%**	**+263.5%**
S&P500	+3.3%	+12.6%	+87.5%
NASDAQ Composite	+4.2%	+18.7%	+132.8%

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.*

March Update

March was another strong month for U.S. equity markets, with the S&P500 up 3.3% and the NASDAQ up 4.2%. The Centaur Value Fund was up by only 0.6% net in March. The Fund's two largest holdings (Dell and Ancestry.com) declined in price during the month, and our shorts and hedges caused a minor drag as would be expected in a rising market. Other than that, everything went perfectly!

The first quarter was truly a very strong one for the market averages, with the S&P500 rising the most in a first quarter since 1998. Tech stocks (as represented by the NASDAQ) were absolutely on fire in Q1 and finished up 18% for the quarter. However, some of the terrific index performance can be attributed to strong moves in the highest-weighted securities. Apple, for example, was up 50% in Q1 and by itself accounted for nearly 20% of the S&P500 return. Apple makes up nearly 11% of the NASDAQ Composite Index, and so comprised an even higher percentage of that index's return.

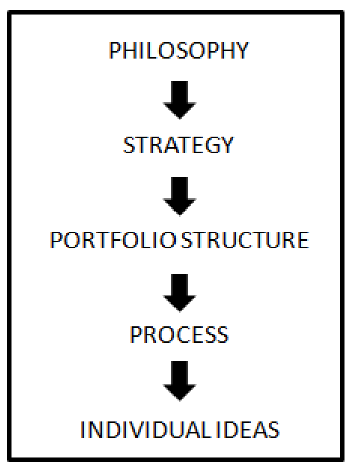
For Q1, CVF returned 8.3% net to investors, which was pretty much in line with our market exposure during the period. Given that our largest positions on balance did not contribute greatly to the quarter's performance and our long ideas tend to exhibit lower volatility than our short portfolio, we are reasonably satisfied with the quarter on balance. However, most of the Fund's positive performance came in January, with only modest positive return figures in February and March.

CVF has always been something of a tortoise (albeit a reasonably aerodynamic one) and we are usually happy to capture the majority of the market's return during periods of very strong market performance. However, being the tortoise isn't easy psychologically when the hare is running hard and seems to be pulling away from us. We are in such a period now and as always it feels like we are moving very slowly as we watch the stock market's jack rabbit start to 2012. But we know that slow and steady wins the race, and trying to chase the market's performance will simply lead to poor decisions.

Some Thoughts on Portfolio Structure

In our last letter, we introduced the five elements we believe are present in the pursuit of any well articulated investment approach. Those five elements, ranging from big picture to the granular are 1) philosophy or world view; 2) the strategy that will be utilized to express that philosophy; 3) the portfolio structure which will shape the underlying investments; 4) the process of selecting qualifying investments; and 5) the individual ideas themselves. Here is the graphic we used in the last letter to help visualize these elements and how they fit together.

INVESTING FRAMEWORK



The Basics of Long and Short Exposure

In this letter we would like to offer some thoughts on portfolio structure. In our view, portfolio structure really addresses two primary components. One of those components is market exposure, and the other component relates to individual idea position sizing. We've written extensively in past letters about position sizing, and we will come back to this topic again in a future letter. This letter will focus on portfolio exposure.

Exposure is simply the percentage of one's portfolio that is exposed to the price and value changes caused by market forces. For example if one invests in an S&P500 index fund, which is a fully invested index, one has exposed 100% of the invested amount to the price direction of the index. In addition, one's investment is virtually 100% correlated to the performance of the index, minus a drag for transaction costs.

If one were to short the S&P500 index, that investor would be exposed 100% to the inverse of the performance of the index. If the index goes up, the short investor loses money. If the index goes down, the short investor makes money. Here the correlation is also extremely high but not quite as high as the long investor, because the short seller must fund any dividends paid by the index he or she is shorting. For the S&P500, that comes out to about 2% per year, creating a modest drag for the short seller.

Because CVF is a long/short fund, it is typical for us to have "long" exposure related to the securities that we have purchased that we hope will go up in value, and at the same time to have "short" exposure or hedges that we hope will decline in value so that we can make money by betting against them. At the end of March, for example, we held 38 different positions in the long portfolio that totaled 85.1% of the Fund's assets. While we would expect that most of these long positions would be correlated with the market's general direction, the correlation is much lower than it would be for an index fund, as it is certainly possible that certain securities we own don't go up or down in value as much as the index, or go down when the index goes up and vice versa.

On the short side, at the end of March CVF held 9 different positions that added up to 17.1% short exposure. We would expect that the value of our short positions would be inversely correlated to the broad market direction on a day to day basis, but again here the correlation can be quite low. It is typical for securities we are short to be more volatile than the stocks that we are long, and as such when the market goes up it is common for our shorts to go up faster than the market; they also tend to fall harder than the market on the way down. In financial jargon, our shorts tend to be "higher beta" than our longs.

Netting the two exposures (85.1% long exposure minus 17.1% short exposure) leaves us with net exposure to the market of 68%. On any given day, then, if our longs and shorts performed exactly in line with the market we would expect to make 68% of the market's gain or suffer 68% of the market's decline. In actuality, each of the ideas is obviously independent of the market and will produce an idiosyncratic return. It is certainly possible that if one is selecting long ideas based on value criteria, for example, and selecting short ideas that one believes are overvalued, it could be that the stocks in the short portfolio manage to go up in price at the same time that the long ideas go down! It is also possible that one's short ideas go down at the same time that most of the long ideas go up. Thus, the long and the short portfolio may not be highly correlated with the broad market, nor must they necessarily be inversely correlated to each other if they represent statistical or categorical archetypes that tend to exhibit vastly different stock price behavior.

Because of this potential for divergent performance, we use the term "gross exposure" to convey that while a portfolio with 85% long exposure and 17% short exposure may only be 68% "net exposed" to the market, we actually have capital at risk that is equal to 102.2% of our assets when we add the short and long portfolio exposure together. Gross exposure greater than 100% is also reflective that one is using some implied leverage in the portfolio, though in this case we aren't incurring the same risk normally associated with leverage. We will come back to this gross exposure concept in a subsequent letter.

The Way It's Supposed to Work

The appeal of long/short strategies is that if one can consistently generate positive returns from both long investing and short selling, the underlying return profile should be very attractive on a risk-adjusted basis. To show why this is the case, let us show how one could generate above market returns using only the long side of the equation. Let us first assume that an investor wishes to achieve 15% annualized returns using only the long side, but that the market is likely to only produce 10% returns. There are a number of ways one can mathematically arrive at 15% IRR (annualized return) from a portfolio exposure perspective. Some examples are shown in the table below:

LONG	RETURN	SHORT	GROSS	NET	IRR
150%	10.0%	0% short	150% gross	150% net	15%
125%	12.0%	0% short	125% gross	125% net	15%
120%	12.5%	0% short	120% gross	120% net	15%
110%	13.6%	0% short	110% gross	110% net	15%
100%	15.0%	0% short	100% gross	100% net	15%

As you can see from the table, if our investor is really skillful and can produce 15% returns, he can meet his goal by being 100% invested on average. However, if his skill level is lower he can still produce 15% returns by simply investing with greater than 100% market exposure. This is otherwise known as using leverage. In our example we will assume borrowing costs are zero to simplify things. In the real world our investor would have to do better than the numbers shown above to cover his borrowing costs, but this isn't important for the purpose of our example. The problem is that using leverage is a very risky thing to do. Trust us on this point!

Now let's assume that our investor is capable of producing positive returns on the short side on average over time in combination with average investing on the long side. This dramatically alters the required exposure necessary to produce excellent risk-adjusted returns. In the table below, we've provided six additional ways that an investor can reach 15% annualized returns. In the top example, if the investor can achieve a 10% IRR on 30% average short exposure (adding 3% per year to returns) he can achieve a total portfolio return of 15% if he can produce a 10% IRR with 120% average long exposure. Note that this investor's gross exposure would still be 150% as it was in our first example. But the net market exposure would be only 90% and as a result this approach would likely offer a superior volatility and risk profile versus the 150% long investor. Note that in this example our investor is not adding skill on the long side (assuming zero borrowing costs) but is able to produce considerably better than average returns by producing a positive return on the short side combined with modest leverage.

LONG	SHORT	GROSS	NET	TOTAL IRR
120% @ 10.0% IRR	30% @ 10% IRR	150% gross	90% net	15%
100% @ 13.0% IRR	40% @ 5% IRR	140% gross	60% net	15%
100% @ 11.0% IRR	40% @ 10% IRR	140% gross	60% net	15%
90% @ 11.7% IRR	30% @15% IRR	120% gross	60% net	15%
80% @ 13.75% IRR	40% @10% IRR	120% gross	40% net	15%
80% @ 15.0% IRR	20% @15% IRR	100% gross	60% net	15%

In the bottom example on our table, we have shown an investor who is really skillful over time. This investor has the ability to produce 15% IRR on his short exposure, but only carries 20% short exposure on average. He also produces a 15% IRR on the long side while being 80% invested on average. This investor would produce his targeted 15% annualized returns while maintaining net exposure of only 60% and gross exposure of only 100%. Due to his lower average gross and net exposure, this investor would likely enjoy a far superior risk profile despite producing much higher returns.

Bringing It All Together

As you can see from the examples above, an investment strategy that adds positive returns from shorting will produce a vastly superior return and risk profile when combined with even average investing results on the long side. An added benefit of a long/short strategy is that when properly executed the ideas naturally tend to work out at different times. This has the effect of reducing both volatility and the risk of permanent capital loss, and it also tends to create both the financial and emotional capacity to take advantage of the prevailing conditions in the market.

Thus, when we are talking about an investor who is short with 20% of his portfolio on average, this doesn't mean he is likely to be 20% short at any given time. Rather, the investor may be short with 30-40% of his portfolio at times when the market is riding high and it is easier to identify good short candidates. During the midst of a brutal market sell-off, the investor may find that most of his short positions have played out and actively reduces his short exposure by taking profits. The reverse should be true on the long side. When markets are flying and valuations are becoming stretched, long ideas are likely to be trimmed or eliminated as they reach full value, which causes long exposure to decline. At the bottom of the market, long exposure is added as newly created values are identified and purchased. This flexing of exposure from both the long and short sides of the portfolio should ideally allow the long/short investor to get more exposure to the market at lower prices and less exposure to the market at higher prices. The result should be better performance on a risk-adjusted basis over time. Of course there is a catch: making money on the short side consistently is *really* hard.

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

Respectfully yours,

Zeke Ashton

Zeke Ashton
Centaur Capital Partners
1460 Main Street, Suite 234
Southlake, TX 76092
Telephone (main) 817-488-9632
Fax 817-488-9648

IMPORTANT NOTES

This report is being furnished by Centaur Capital Partners ("Centaur") on a confidential basis and does not constitute an offer, solicitation or recommendation to sell or an offer to buy any securities, investment products or investment advisory services. This report is being provided to existing limited partners for informational purposes only, and may not be disseminated, communicated or otherwise disclosed by the recipient to any third party without the prior written consent of Centaur.

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, 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.

This presentation and the accompanying discussion include forward-looking statements. All statements that are not historical facts are forward-looking statements, including any statements that relate to future market conditions, results, operations, strategies or other future conditions or developments and any statements regarding objectives, opportunities, positioning or prospects. Forward-looking statements are necessarily based upon speculation, expectations, estimates and assumptions that are inherently unreliable and subject to significant business, economic and competitive uncertainties and contingencies. Forward-looking statements are not a promise or guaranty about future events.

The information in this presentation is not intended to provide, and should not be relied upon for, accounting, legal, or tax advice or investment recommendations. Each recipient should consult its own tax, legal, accounting, financial, or other advisors about the issues discussed herein.