

**Form ADV Part 2A: Firm Brochure**

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**March 30, 2015**

**This brochure provides information about the qualifications and business practices of Moon Capital Management LP. If you have any questions about the contents of this brochure, please contact us at the telephone number or email address provided above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Additional information about Moon Capital Management LP also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Being a “registered investment adviser” or describing ourselves as being “registered” does not imply a certain level of skill or training.**

**THIS BROCHURE SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF ANY OFFER TO BUY ANY SECURITY.**

**Item 2.       Material Changes**

During 2015, an affiliate of Moon Capital (the "Swap Affiliate") has written security-based swaps with a single counterparty ("Existing Swaps"), and in the future may write other security-based swaps and other similar financial instruments that are in the aggregate "de minimis" as such term is used under Rule 3a71-2 promulgated under the U.S. Securities Exchange Act of 1934, as amended ("Exchange Act"). Given the investment focus and risk parameters of the Moon Capital Funds, among other reasons, Moon Capital does not believe that writing swaps is an appropriate activity for the Moon Capital Funds. In order to mitigate potential conflicts of interest, the Swap Affiliate does not expect to write any swap or similar financial instrument relating to issuer(s) whose securities are owned by the Moon Capital Funds at the time such instrument is written. The transactions entered by the Swap Affiliate are expected to be fully collateralized and hedged, in order to avoid exposing the Swap Affiliate to market or credit risk. For the avoidance of doubt, nothing in this paragraph shall be construed to in any way limit any Moon Capital Fund from otherwise entering into swaps as a counterparty.

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#### **Item 4. Advisory Business**

Moon Capital Management LP, a Delaware limited partnership, is an independent global investment management firm that commenced investment operations in April 2005. The firm is headquartered in New York with a research and trading office in Singapore.

Moon Capital Management LP and its affiliates, Moon Capital Advisers LLC and JWM Capital LLC (collectively, “Moon Capital”), provide discretionary investment advisory services to privately offered pooled alternative investment vehicles (the “Moon Capital Funds”). The Moon Capital Funds are: (1) Moon Capital Global Equity Offshore Fund Ltd., Moon Capital Global Equity Fund LP, Moon Capital Global Equity Offshore Intermediate Fund Ltd. and Moon Capital Master Fund Ltd. (collectively, the “Moon Flagship Fund”), and (2) Moon Capital Global Equity Partners Offshore Fund Ltd., Moon Capital Global Equity Partners Fund LP, Moon Capital Global Equity Partners Offshore Intermediate Fund Ltd. and Moon Capital Partners Master Fund Ltd. (collectively, the “Moon Partners Fund”). Each of Moon Capital Master Fund Ltd. and Moon Capital Partners Master Fund Ltd. may invest a portion of its assets through certain special purpose vehicles, subsidiaries or pursuant to other arrangements for tax, regulatory or other reasons.

Currently, Moon Capital’s only investment advisory clients are the Moon Capital Funds. The objective of each Moon Capital Fund is to generate superior absolute investment returns by constructing a diversified portfolio of both long and short positions predominantly in publicly listed global equities. Moon Capital seeks to achieve this objective throughout market cycles, with relatively low volatility and a low correlation to equity market indices. Moon Capital seeks investment opportunities in all global markets, although a particular focus of each Moon Capital Fund is the emerging markets in Asia, Latin America, Eastern Europe, the Middle East and Africa. Each Moon Capital Fund’s portfolio is diversified by geography as well as by industry and will generally be comprised of well in excess of 100 individual security positions, both long and short, with a low aggregate net exposure. Although the Moon Capital Funds’ positions are comprised predominantly of publicly listed equities, positions may include other financial instruments, including swaps on individual securities and indices, options, futures, forward agreements for currencies and other derivatives. The Moon Capital Funds may also invest in fixed income, convertible securities, private equity and venture capital investments when the potential for attractive risk-adjusted returns is identified.

The Moon Partners Fund generally invests in a substantially similar investment portfolio as the Moon Flagship Fund, with the exception that the Moon Partners Fund invests on a more leveraged basis, generally seeking to achieve on a position by position basis, to the extent practicable, gross long and short exposures that are approximately 100% larger than those of the Moon Flagship Fund (on a capital adjusted basis); however, such percentage may range from 50%-150%, taking into account a number of factors, including changes in the gross long and short exposures of the Moon Flagship Fund relative to those of the Moon Partners Fund, as well as other factors.

**There can be no assurance that the investment objective of the Moon Capital Funds will be achieved.**

John W. Moon is the principal owner of Moon Capital. Moon Capital has committed significant resources to establishing a large investment team that includes a number of individuals with extensive

experience in their respective fields of expertise, as well as junior analysts to support the work of these senior analysts. As of December 31, 2014, the firm had 19 experienced investment analysts and traders on staff, many of whom have worked with John Moon for several years. Additionally, the firm has appointed individuals to senior non-investment roles (for example, Chief Operating Officer, Chief Financial Officer, General Counsel/Chief Compliance Officer and Chief Technology Officer) and has non-investment staff (including its trading operations staff) with qualified specialists and administrative personnel. To further resource these non-investment functions, the firm has invested in the development of proprietary systems that allow for the automation of processes, when possible and desirable, and the efficient sharing of information within the organization. Moon Capital has equipped its offices to a high standard appropriate for an organization of its size as well as providing a high degree of hardware and software to support the operations of the business while fully providing for disaster contingencies.

As of December 31, 2014, Moon Capital had approximately US\$1.2575 billion of assets under management. All of these assets are managed on a discretionary basis.

For more information about the Moon Capital Funds and Moon Capital's affiliated entities, see Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss) and Item 10 (Other Financial Industry Activities and Affiliations).

## **Item 5. Fees and Compensation**

### **Management Fees**

Pursuant to investment management agreements and the governing documents of the Moon Capital Funds, the Moon Capital Funds pay to Moon Capital a quarterly Management Fee, generally as of the first business day of each calendar quarter, equal to 0.5% (2.0% annualized) of the net asset value of each capital account or series of shares, as applicable. For purposes of calculating the Management Fee, illiquid investments that have been designated as Special Investments (as defined below) are valued at fair value (which may be cost).

If new or additional investors make investments to a Moon Capital Fund on any date other than as of the first day of a calendar quarter, a *pro rata* portion of the Management Fee will be paid out of the subscription amount, based on the actual number of days remaining in such partial quarter. If an investor redeems at any time other than as of the last day of a calendar quarter, a *pro rata* portion of the Management Fee (based on the actual number of days remaining in such partial quarter) attributable to the amount being redeemed will be repaid by Moon Capital to the applicable Moon Capital Fund, for the benefit of the redeeming investor.

Moon Capital, in its discretion, may elect to reduce, waive or calculate differently the Management Fees with respect to affiliated entities, Mr. Moon, his family members, certain professional personnel of Moon Capital and its affiliates and trusts and other entities established for the benefit of such persons (collectively, "Affiliated Investors") or other investors. There are no modified Management Fee arrangements currently in effect with investors that are not Affiliated Investors on terms more favorable than those described herein.

## **Incentive Allocations**

Moon Capital is entitled to receive a percentage of investment profits in the form of performance-based allocations (the “Incentive Allocations”) from the Moon Capital Funds. Accordingly, an amount, generally calculated as of the end of each fiscal year (other than an unrecovered loss year in which the “modified high water mark” is in effect), equal to 20% (in the case of the Moon Flagship Fund) or up to 30% (in the case of the Moon Partners Fund) of the net realized and unrealized appreciation in the net asset value of the applicable Moon Capital Fund during each fiscal year (adjusted for any redemptions made during the fiscal year) will be reallocated from the net asset value of the capital account or series of shares, as applicable, of investors in the Moon Capital Funds to Moon Capital. In calculating appreciation upon which the Incentive Allocation is based, appreciation or depreciation from realized (or deemed realized) illiquid investments that have been designated as Special Investments will be included, but unrealized appreciation or depreciation of such Special Investments will not be included. The net asset value of the capital account or series of shares, as applicable, of investors in the Moon Capital Funds will be reduced as a result of the Incentive Allocation. A full Incentive Allocation will only be paid with respect to the net realized and unrealized appreciation in the net asset value of the applicable Moon Capital Fund in excess of the “modified high water mark”.

The Incentive Allocations for the Moon Capital Funds are subject to a “modified high water mark” calculation. Generally, this modified high water mark comes into effect if the net asset value of an investor’s series of shares or capital account in a Moon Capital Fund decreases in any given year (other than as a result of a redemption). In this case, the Incentive Allocations in future years will be reduced to 10% (in the case of the Moon Flagship Fund) or up to 15% (in the case of the Moon Partners Fund) of the net realized and unrealized appreciation in the net asset value of an investor’s capital account or series of shares in a Moon Capital Fund for a calendar year until that investor recovers the previously incurred loss in the net asset value of that investor’s capital account or series of shares plus an additional amount equal to 150% of such previously incurred loss (adjusted for redemptions). After the modified high water mark is overcome (by recovering the net loss plus the additional 150% of such loss), the Incentive Allocation percentage reverts to 20% (in the case of the Moon Flagship Fund) or up to 30% (in the case of the Moon Partners Fund) on subsequent increases in net asset value. The modified high water mark will be appropriately adjusted for redemptions.

Thus, notwithstanding the fact that past losses have not been fully recovered, a capital account or series of shares may be subject to a reduced Incentive Allocation.

In the event a Moon Capital Fund is terminated other than as of the end of a fiscal year or an investor redeems other than as of the end of a fiscal year, an Incentive Allocation will be reallocated to Moon Capital with respect to the redeemed amount through the date of termination or the redemption date, as applicable.

If an investor has an interest in a Special Investment, but no longer has an interest in the applicable Moon Capital Fund, the amount that must be recovered before an Incentive Allocation will be made will revert back to the original, unadjusted amount. Accordingly, the amount of new losses that must be recovered will equal actual losses dollar-for-dollar without increasing the modified high water mark by 150%. Any appreciation in excess of such actual losses will be subject to the full Incentive Allocation

rate. The Incentive Allocation will be made upon the realization or deemed realization of the Special Investment.

Moon Capital, in its discretion, may elect to reduce, waive or calculate differently the Incentive Allocations with respect to certain Affiliated Investors or other investors. There are no modified Incentive Allocation arrangements currently in effect with investors that are not Affiliated Investors on terms more favorable than those described herein.

The Incentive Allocations may create an incentive for Moon Capital to make investments that are riskier or more speculative than would be the case in the absence of the Incentive Allocations.

### **Expenses**

Each Moon Capital Fund bears its own and its *pro rata* share of its and its related funds' operating and other expenses, including, but not limited to the following expenses: (i) costs and fees of evaluating potential investments and of making, holding, or selling investments (including third party research on specific companies and industries); (ii) adviser, consultant, custodian, subcustodian, transfer agent, disbursal, brokerage, registration, legal and other similar fees and expenses attributable to such investments; (iii) costs and expenses for internal and external portfolio and accounting systems and services, transaction matching services and fix engine software (including licensing fees and support costs related thereto); (iv) costs and expenses for internal and external order management and risk management systems (including costs of full-time and/or part-time consultants engaged in the development and maintenance thereof); (v) Bloomberg fees, research and software expenses and other expenses incurred in connection with data services providing real-time price feeds, real-time news feeds, securities and company information and company fundamental data; (vi) expenses related to third-party proxy processing services; (vii) all investment-related travel (including hotel and subsistence costs and expenses), inter-office travel by Moon Capital personnel for research purposes, correspondence, and other transaction costs, and expenses incurred in connection with the acquisition, monitoring, or disposition of any investments; (viii) premiums for directors' and officers' liability insurance or other similar insurance policies; (ix) expenses of registering or qualifying securities for sale, blue sky filing fees, and printing expenses; (x) legal fees and expenses attributable to the applicable Moon Capital Fund; (xi) costs and expenses relating to investor communications and meetings with or for existing investors; (xii) costs of litigation or other matters that are the subject of Moon Capital's or its affiliates' indemnification rights; (xiii) organizational expenses; (xiv) fees and expenses of such Moon Capital Fund's administrator; (xv) the Management Fee applicable to such Moon Capital Fund entity; (xvi) entity level taxes; (xvii) costs and expenses arising from compliance with applicable investment laws or regulations (e.g., substantial shareholder filings); (xviii) expenses related to compliance with Sections 1471-1474 of the U.S. Internal Revenue Code of 1986, as amended, or other similar laws ("FATCA"); (xix) fees and expenses of the independent members of the board of directors of the applicable Moon Capital Fund entities; (xx) expenses relating to the offering and sale of shares or interests; and (xxi) extraordinary expenses and costs of winding-up and liquidating Moon Capital and its affiliates.

A portion of research-related expenses listed above may be paid for using "soft dollars", as described more fully in Item 12 (Brokerage Practices).

Expenses of each Moon Capital Fund (excluding the Management Fee) generally will be shared by all of the investors in such Moon Capital Fund *pro rata* in accordance with their shares or interests. Any expenses which the Moon Capital Fund's general partner or board of directors, as applicable, determines in its reasonable discretion should be allocated to a particular investor or group of investors (including investment expenses relating specifically to a Special Investment and taxes imposed under FATCA, resulting from the status, action or inaction of an investor or group of investors), will be charged solely against such investor or group of investors.

To the extent any of the expenses listed above are borne by Moon Capital or its affiliates, the applicable Moon Capital Fund shall reimburse Moon Capital or its affiliates for such expenses.

To the extent that any of the expenses listed above are incurred on behalf of both the Moon Flagship Fund and the Moon Partners Fund, such expenses will be allocated among the Moon Flagship Fund and the Moon Partners Fund *pro rata*, based on the applicable Moon Capital Fund's capital under management (irrespective of leverage) or as otherwise determined to be fair and equitable by Moon Capital.

For more information, see Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss), Item 10 (Other Financial Industry Activities and Affiliations) and Item 12 (Brokerage Practices).

#### **Item 6. Performance-Based Fees and Side-By-Side Management**

All the Moon Capital Funds compensate Moon Capital with performance-based Incentive Allocations.

For more information, see Item 5 (Fees and Compensation) and Item 10 (Other Financial Industry Activities and Affiliations).

#### **Item 7. Types of Clients**

As described in Item 4 (Advisory Business), Moon Capital currently provides investment advisory services solely to the Moon Capital Funds, which are subject to the Incentive Allocations and Management Fees. Moon Capital may offer investment advisory services to other entities, private investment funds or separately managed accounts in the future.

For more information, see Item 4 (Advisory Business) and Item 10 (Other Financial Industry Activities and Affiliations).

#### **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

##### **Methods of Analysis and Investment Strategies**

Moon Capital employs a fundamental, long-term valuation-based stock selection approach to investing in global equity markets. Mr. Moon has been running a similar global long/short equity strategy since 1997, first at his own firm and then at Oaktree Capital Management prior to the launch of the Moon Flagship Fund on April 1, 2005.



The objective of each Moon Capital Fund is to generate superior absolute investment returns by constructing a diversified portfolio of both long and short positions predominantly in publicly listed global equities. Moon Capital seeks to achieve this objective throughout market cycles, with relatively low volatility and a low correlation to equity market indices. Moon Capital seeks investment opportunities in all global markets, although a particular focus of each Moon Capital Fund is the emerging markets in Asia, Latin America, Eastern Europe, the Middle East and Africa. Each Moon Capital Fund's portfolio is diversified by geography as well as by industry and will generally be comprised of well in excess of 100 individual security positions, both long and short, with a low aggregate net exposure. Although the Moon Capital Funds' positions are comprised predominantly of publicly listed equities, positions may include other financial instruments, including swaps on individual securities and indices, options, futures, forward agreements for currencies and other derivatives. The Moon Capital Funds may also invest in fixed income, convertible securities, private equity and venture capital investments when the potential for attractive risk-adjusted returns is identified. From time to time, the Moon Capital Funds may acquire assets or securities that Moon Capital believes either lack a readily assessable market value or should be held until the resolution of a special event or circumstance (each, an "Illiquid Investment"). Moon Capital does not anticipate that the cost of Illiquid Investments (excluding the portion of Illiquid Investments that have been designated as Special Investments) will exceed 10% of the Moon Capital Funds' net asset value at the time such Illiquid Investments are acquired.

### **Investment Methodology**

The Moon Capital Funds' investment methodology is primarily based upon detailed fundamental research of listed equities. In addition to researching larger companies, Moon Capital also develops expertise in small and medium capitalized companies. The core investment philosophy is to profit from mispricings in individual securities across select global markets. These opportunities are identified by Moon Capital's team of analysts who specialize along industry lines. The investment team's objective is to understand the portfolio companies' business trends and valuation metrics intimately, and to profit from valuation discrepancies which may arise. The foundation of the investment team's valuation approach is Discounted Cash Flow (DCF) analysis. The research process involves extensive company contact and visits, in-depth industry analysis and the use of in-house developed research and quantitative systems to generate DCF valuation targets. Detailed financial models are the backbone of valuation and DCF analysis. The resulting judgment of Moon Capital's team of analysts regarding the market undervaluation or overvaluation of the equity of an individual company is the key input to Moon Capital in structuring the portfolio.

Each Moon Capital Fund may also use systematic investment strategies incorporating, without limitation, various algorithms, mathematical models and/or rule sets which seek to exploit anomalies in the relationships between different financial instruments, or anticipate future price changes for a variety of financial instruments, most of which are expected to be equity or equity-related. These strategies may be driven by historical data, including some or all of the following: price-movements of a given financial instrument, trading volume of a given financial instrument, analyst earnings estimates, company reported and forecasted fundamental data and financial statements, and other related data. Such investment strategies may have a variety of average holding periods and trading volumes and may include a significantly higher number of individual security positions than other strategies utilized by the Moon Capital Funds.

Each Moon Capital Fund's portfolio is actively traded and trades may be placed at any time. Trading may be accomplished through a variety of methods, including manual trading, electronic direct market access, algorithmic trading engines and program trading desks as is deemed appropriate for each particular strategy.

Each Moon Capital Fund may utilize various strategies to hedge market, interest rate and currency exchange risks to protect against the possible effect that changes may have on the market value of such Moon Capital Fund's portfolio. Such strategies may include the use of options, futures, forward currencies and other derivative products. Although such instruments are used primarily for hedging purposes, they may at times be used for speculative purposes as well. Each Moon Capital Fund may also participate in unlisted or illiquid investments when, in the judgment of Moon Capital, there is a potential for long-term investment gains. Debt securities (fixed income and convertible securities) each Moon Capital Fund may invest in may include instruments of a speculative nature with respect to issuer capacity to pay interest and principal, including bonds of foreign corporate and sovereign issuers.

### **Leverage**

Each Moon Capital Fund uses various forms of financial leverage in such Moon Capital Fund's investment program, such as purchasing securities on margin, entering into options, swaps, forwards, futures and other derivative instruments that are inherently leveraged, and other forms of indirect leverage. Each Moon Capital Fund may borrow money from banks or brokerage firms or finance positions and/or lend funds through repurchase and reverse repurchase agreements. The amount of leverage (the Moon Capital Fund's gross long and short exposures, in the aggregate, in relation to such Moon Capital Fund's capital) will vary depending on market conditions and investment opportunities, as well as the types of investments held by the applicable Moon Capital Fund and the total market value of such investments. Leverage may be limited with respect to specific investments due to margin rule considerations, market conditions or other factors. While leverage presents opportunities for increasing the total return on investments, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment could be magnified to the extent leverage is utilized. The cumulative effect of the use of leverage with respect to any investments in a market that moves adversely to such investments could result in a substantial loss which would be greater than if the investments were not leveraged.

### **Special Investments**

Each Moon Capital Fund reserves the right to designate certain illiquid investments as "Special Investments" upon acquisition (or a commitment to fund such acquisition) or other significant corporate event upon which such Moon Capital Fund takes action (such as an investment decision to continue to hold shares in a company being privatized) (each, a "Special Investment") and issue "side pocket" shares or interests with respect to each such Special Investment. Investors in a Moon Capital Fund are given the opportunity on an annual basis to make an election to opt-in to participate in Special Investments acquired by the applicable Moon Capital Fund (an "Opt-In Election") that are designated after the date of such Opt-In Election.

For each investor that has made an Opt-In Election, the maximum annual portion of such investor's investment that may be exchanged for "side pocket" shares or interests shall not exceed 6% of the net

asset value of such investor's capital account or series of shares (excluding the value of "side pocket" shares or interests attributable to Special Investments designated in prior years), as applicable, and determined based on the net asset value of such series of shares or capital account, as applicable, on the date of each Opt-In Election (in the case of an initial Opt-In Election that does not fall on January 1) and on January 1 of each year thereafter. Any Special Investment for which the applicable Moon Capital Fund enters into a formal commitment to invest shall be allocated, in the sole discretion of Moon Capital, to investors that have an effective Opt-In Election at the time such formal commitment is made, provided Moon Capital promptly notifies such investors of the designation of such Special Investment.

Only investors that have made an Opt-In Election will participate in Special Investments (including any follow-on investments related to such Special Investments) made by the Moon Capital Fund which are so designated in the applicable year.

### **General**

The descriptions contained herein of specific strategies that the Moon Capital Funds are or may be engaged in should not be understood as in any way limiting the Moon Capital Funds' investment activities. The Moon Capital Funds may engage in investment strategies that are not described herein, but that Moon Capital considers appropriate.

The investment program of the Moon Capital Funds is speculative and may entail substantial risks. Since market risks are inherent in all securities investments to varying degrees, there can be no assurance that the investment objective of the Moon Capital Funds will be achieved. In fact, certain investment practices described above can, in some circumstances, potentially increase the adverse impact on the Moon Capital Funds' investment portfolios.

### **Risk of Loss**

An investment in a Moon Capital Fund involves a high degree of risk, including the risk of loss of the entire amount invested. An investor in a Moon Capital Fund should be aware that it may lose all or part of its investment in such Moon Capital Fund. No guarantee or representation is made that the Moon Capital Funds' investment program will be successful. The Moon Capital Funds' investment program may utilize such investment techniques as option transactions, margin transactions, short sales, leverage, forward and futures contracts, which can, in certain circumstances, increase the adverse impact to which the Moon Capital Funds' portfolios may be subject. All investments involve the risk of loss of capital.

### **Certain Risks**

**General Risk of Emerging Markets.** Investment in emerging market securities involves a greater degree of risk than an investment in securities of issuers based in developed countries. Among other things, emerging market securities investments may carry the risks of less publicly available information, more volatile markets, less strict securities market regulation, less favorable tax provisions, and a greater likelihood of severe inflation, unstable currency, war and expropriation of personal property than investments in securities of issuers based in developed countries. In addition, the Moon Capital Funds' investment opportunities in certain emerging markets may be restricted by legal limits on foreign investment in local securities, and by fewer opportunities to hedge.

Emerging markets generally are not as efficient as those in developed countries. In some cases, a market for the security may not exist locally, and transactions will need to be made on a different exchange. Volume and liquidity levels in emerging markets are often lower than in developed countries and may vary greatly. When seeking to sell emerging market securities, little or no market may exist for the securities. In addition, issuers based in emerging markets are not generally subject to uniform accounting and financial reporting standards, practices and requirements comparable to those applicable to issuers based in developed countries, thereby potentially increasing the risk of fraud or other deceptive practices. Furthermore, the quality and reliability of official data published by the government or securities exchanges in emerging markets may not accurately reflect the actual circumstances being reported.

The issuers of some non-U.S. securities, such as banks and other financial institutions, may be subject to less stringent regulations than would be the case for issuers in developed countries and therefore potentially carry greater risk. Custodial and transaction expenses for a portfolio of emerging markets securities generally are higher than for a portfolio of securities of issuers based in developed countries.

**Legal Risk.** Many of the laws that govern private and foreign investment, securities transactions (including, without limitation, laws relating to filing obligations), creditors' rights and other contractual relationships in non-U.S. countries, particularly in developing countries, are new and largely untested. As a result, the Moon Capital Funds may be subject to a number of unusual risks, including inadequate investor protection, contradictory legislation, incomplete, unclear and changing laws, ignorance or breaches of regulations on the part of other market participants, lack of established or effective avenues for legal redress, lack of standard practices and confidentiality customs characteristic of developed markets, absence of customary legal documentation in connection with investment transactions and lack of enforcement of existing regulations.

Regulatory controls and corporate governance of companies in developing countries may confer little protection on investors. Anti-fraud and anti-insider trading legislation is often rudimentary. The concept of fiduciary duty is also limited when compared to such concepts in developed country markets. In certain instances, management may take significant actions without the consent of investors. There can be no assurance that this difficulty in protecting and enforcing rights will not have a material adverse effect on the Moon Capital Funds and its operations. Furthermore, it may be difficult to obtain and enforce a judgment in certain non-U.S. countries in which assets of the Moon Capital Funds are invested.

**Taxation by Non-U.S. Jurisdictions.** Taxation of dividends, interest and capital gains received by non-residents varies among emerging countries and, in some cases, tax rates are high compared to developed countries. In addition, developing countries typically have less well-defined tax laws and procedures. With respect to certain countries, there is a possibility of expropriation, confiscatory taxation and imposition of withholding or other taxes on dividends, interest, capital gains or other income.

**Risk of Errors and Omissions in Information.** Companies in emerging countries are generally subject to less stringent and less uniform accounting, auditing and financial reporting standards, practices and disclosure requirements than those applicable to U.S. companies. Consequently, there is less publicly available information about an emerging country company than about a U.S. company. Furthermore,

the quality and reliability of official data published by the government or securities exchanges in emerging markets may not accurately reflect the statistics being reported.

**Investment and Repatriation Restrictions.** Some emerging countries have laws and regulations that currently preclude direct foreign investment in the securities of their companies. However, indirect foreign investment in the securities of companies listed and traded on the stock exchanges in these countries is permitted by certain emerging countries through investment funds which have been specifically authorized to do so. Since the Moon Capital Funds invest in such investment funds, the investors will bear not only the expenses of such Moon Capital Fund, but also will indirectly bear similar expenses of the underlying investment funds.

In addition to the foregoing investment restrictions, prior governmental approval for foreign investments may be required under certain circumstances in some emerging countries, and the extent of foreign investment in local companies may be subject to limitation in other emerging countries. Foreign ownership limitations also may be imposed by the charters of individual companies in emerging countries to prevent, among other concerns, violation of foreign investment limitations. Some attractive equity securities may not be available to the Moon Capital Funds because U.S. investors hold the maximum amount permitted under current laws or because of minimum eligibility requirements for investing in certain types of securities in some emerging countries.

Repatriation of investment income, assets and the proceeds of sales by foreign investors may require governmental registration and/or approval in some emerging countries. The Moon Capital Funds could be adversely affected by delays in or a refusal to grant any required governmental registration or approval for such repatriation or by withholding taxes imposed by emerging market countries on interest or dividends paid on securities held by the Moon Capital Funds or gains from the disposition of such securities.

**Government Involvement in the Private Sector.** Government involvement in the private sector varies in degrees among the emerging countries in which the Moon Capital Funds may invest. Such involvement may include government ownership, wage and price controls or imposition of trade barriers or other protectionist measures.

**Fixed Income Securities.** The Moon Capital Funds may invest in bonds or other fixed income securities. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities in which the Moon Capital Funds invest will change in response to fluctuations in interest rates. In addition, the value of certain fixed-income securities can fluctuate in response to perceptions of credit worthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (*i.e.*, market risk).

**Convertible Securities.** The Moon Capital Funds may invest in convertible securities. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. A convertible security entitles its holder to receive

interest that is generally paid or accrued on debt or a dividend that is paid or accrued on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have unique investment characteristics in that they generally (i) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (ii) are less subject to fluctuation in value than the underlying common stock due to their fixed-income characteristics and (iii) provide the potential for capital appreciation if the market price of the underlying common stock increases.

The value of a convertible security is a function of its “investment value” (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its “conversion value” (the security’s worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security’s investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium decreases as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security’s governing instrument. If a convertible security held by a Moon Capital Fund is called for redemption, such Moon Capital Fund will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third-party. Any of these actions could have an adverse effect on such Moon Capital Fund’s ability to achieve its investment objective.

**Currency Exchange Exposure.** The Moon Capital Funds invest a significant portion of their assets in the securities of non-U.S. issuers and other instruments denominated in non-U.S. currencies, the prices of which are determined with reference to currencies other than the U.S. dollar. Each Moon Capital Fund, however, values its securities and other assets in U.S. dollars. To the extent unhedged, the value of a Moon Capital Fund’s positions in non-U.S. investments will fluctuate with U.S. dollar exchange rates as well as the price changes of the investments in the various local markets and currencies. In such cases, an increase in the value of the U.S. dollar compared to the other currencies in which such Moon Capital Fund makes its investments will reduce the effect of any increases and magnify the effect of any decreases in the prices of such Moon Capital Fund’s securities in their local markets and may result in a loss to such Moon Capital Fund. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect on such Moon Capital Fund’s non-U.S. dollar investments.

Furthermore, the Moon Capital Funds may incur costs in connection with hedging foreign currencies, as well as costs in connection with conversions between various currencies. Non-U.S. currency exchange dealers realize a profit based on the difference between the prices at which they are buying and selling various currencies. Thus, a dealer normally will offer to sell currency to the Moon Capital Funds at one rate, while offering a lesser rate of exchange should the Moon Capital Funds desire immediately to resell that currency to the dealer. The Moon Capital Funds conduct their currency exchange transactions

either on a spot (*i.e.*, cash) basis at the spot rate prevailing in the currency exchange market, or through entering into forward, futures or currency options contracts to purchase or sell non-U.S. currencies. Most of the Moon Capital Funds' currency exchange transactions occur at the time securities are purchased and are executed through the local broker or custodian acting for the Moon Capital Funds.

**Currency Hedging.** The Moon Capital Funds may, but are not obligated to, seek to protect the value of some portion or all of its portfolio holdings against currency fluctuations by engaging in hedging transactions, but there can be no assurance that such hedging transactions will be effective. There can be no guarantee that instruments suitable for hedging currency or market shifts will be available at the time the Moon Capital Funds wish to use them or will be able to be liquidated when the Moon Capital Funds wish to do so. Moreover, in most emerging countries the markets for certain of these hedging instruments are not highly developed and in many emerging countries no such markets currently exist. The risks associated with holding currency are significantly greater in markets with higher inflation than in less inflationary markets. In addition, the Moon Capital Funds may choose not to enter into hedging transactions with respect to some or all of its positions.

**Illiquid Portfolio Instruments.** The Moon Capital Funds may invest a significant portion of their assets in Illiquid Investments and may designate certain of investments as Special Investments. The Moon Capital Funds may not be able to readily dispose of such investments and, in some cases, may be legally or contractually prohibited from disposing of such investments for a specified period of time.

Special Investments and other assets and liabilities for which no such market prices are available will generally be carried on the books of the Moon Capital Funds at fair value (which may be cost) as reasonably determined by Moon Capital. There is no guarantee that fair value will represent the value that will be realized by the Moon Capital Funds on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment. A redeeming investor with an interest in a Special Investment will not receive any amount with respect to such interest until the related Special Investment is realized or deemed realized.

**Inside Information.** From time to time, Moon Capital or its affiliates may be in possession of material, non-public information concerning the issuer of securities or other instruments in which the Moon Capital Funds have invested, or in which they intend to invest. The possession of such information may limit the ability of the Moon Capital Funds to buy or sell such securities or other instruments. Accordingly, the Moon Capital Funds may be required to refrain from buying or selling such securities or other instruments at times when Moon Capital might otherwise wish the Moon Capital Funds to buy or sell such securities or other instruments.

**Valuation.** Securities which Moon Capital believes are fundamentally undervalued or overvalued may not ultimately be valued in the capital markets at prices and/or within the time frame Moon Capital anticipates. In particular, purchasing securities at prices which Moon Capital believes to be distressed or below fair value is no guarantee that the price of such securities will not decline even further and short selling securities at prices which Moon Capital believes to be above fair value is no guarantee that the price of such securities will not increase even further.

**Leverage and Financing Risk.** Each Moon Capital Fund uses various forms of financial leverage in its investment program, which results in such Moon Capital Fund's gross long and short exposures, in the

aggregate, often exceeding such Moon Capital Fund's capital. The Moon Capital Funds leverage their capital because Moon Capital, among other reasons, believes that the use of leverage may enable the Moon Capital Funds to achieve a higher rate of return. Accordingly, the Moon Capital Funds may pledge their securities in order to borrow additional funds for investment purposes. The Moon Capital Funds may also leverage their investment returns with options, short sales, swaps, forwards, futures and other derivative instruments.

Although there is no specific restriction on the amount of leverage the Moon Capital Funds may utilize, Moon Capital does not generally expect the ratio of the Moon Partners Fund's gross long and short exposures, in the aggregate, to the Moon Partners Fund's capital to be greater than 5:1. Leverage may be limited with respect to specific investments due to margin rule considerations, market conditions or other factors.

While leverage presents opportunities for increasing a Moon Capital Fund's total return, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment by a Moon Capital Fund would be magnified to the extent such Moon Capital Fund is leveraged. The cumulative effect of the use of leverage by a Moon Capital Fund in a market that moves adversely to such Moon Capital Fund's investments could result in a substantial loss to such Moon Capital Fund which would be greater than if such Moon Capital Fund were not leveraged. In general, depending on how it is used, leverage may increase the overall volatility of each Moon Capital Fund's portfolio. This increased volatility constitutes an additional risk to which investors will be subject.

In general, the use of margin borrowings results in certain additional risks to the Moon Capital Funds. For example, should the securities pledged to brokers to secure a Moon Capital Fund's margin accounts decline in value, such Moon Capital Fund could be subject to a "margin call", pursuant to which such Moon Capital Fund must either deposit additional funds or securities with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of such Moon Capital Fund's assets, such Moon Capital Fund might not be able to liquidate assets quickly enough to satisfy its margin requirements.

The Moon Capital Funds may enter into repurchase and reverse repurchase agreements. When a Moon Capital Fund enters into a repurchase agreement, it "sells" securities issued by the U.S. or a non-U.S. government, or agencies thereof, to a broker-dealer or financial institution, and agrees to repurchase such securities for the price paid by the broker-dealer or financial institution, plus interest at a negotiated rate. In a reverse repurchase transaction, a Moon Capital Fund "buys" securities issued by the U.S. or a non-U.S. government, or agencies thereof, from a broker-dealer or financial institution, subject to the obligation of the broker-dealer or financial institution to repurchase such securities at the price paid by such Moon Capital Fund, plus interest at a negotiated rate. The use of repurchase and reverse repurchase agreements by the Moon Capital Funds involve certain risks including that the seller under a reverse repurchase agreement defaults on its obligation to repurchase the underlying securities. Disposing of the security in such case, may involve costs to a Moon Capital Fund.

The Moon Partners Fund's investment strategy depends on the availability of leverage. If the Moon Partners Fund was unable to borrow money, or could not do so on commercially reasonable terms, the Moon Partners Fund's ability to implement its strategy would be materially and negatively impacted.



Although Moon Capital believes that it has identified credit counterparties to provide leverage to the Moon Partners Fund, there can be no assurance that such credit will continue to be available.

**Call Options.** There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (*e.g.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security offset by the premium received if the option expires out of the money, and gives up the opportunity for gain on the underlying security above the exercise price of the option. If the seller of the call option owns a call option covering an equivalent number of shares with an exercise price equal to or less than the exercise price of the call written, the position is “fully hedged” if the option owned expires at the same time or later than the option written. The seller of an uncovered, unhedged call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option. If the buyer of the call sells short the underlying security, the loss on the call will be offset in whole or in part by any gain on the short sale of the underlying security (if the market price of the underlying security declines).

**Put Options.** There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (*e.g.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sale price of the short position of the underlying security offset by the premium received if the option expires out of the money, and gives up the opportunity for gain on the underlying security below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is “fully hedged” if the option owned expires at the same time or later than the option written. The seller of an uncovered, unhedged put option assumes the risk of a decline in the market price of the underlying security to zero. The buyer of a put option assumes the risk of losing his entire investment in the put option. If the buyer of the put holds the underlying security, the loss on the put will be offset in whole or in part by any gain on the underlying security.

**Swap Agreements.** The Moon Capital Funds may enter into swap agreements. Swap agreements are individually negotiated and can be structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the Moon Capital Funds’ exposure to long-term or short-term interest rates (in the United States or abroad), non-U.S. currency values, corporate borrowing rates, or other factors such as security prices, baskets of equity securities or inflation rates. Swap agreements can take many different forms and are known by a variety of names. Although the Moon Capital Funds use swaps predominantly to gain access to equity exposure in certain markets where such access is otherwise difficult to obtain, the Moon Capital Funds are not limited to any particular form of swap agreement if consistent with their investment objective and policies.

Swap agreements tend to shift a Moon Capital Fund’s investment exposure from one type of investment to another. For example, if a Moon Capital Fund agrees to exchange payments in dollars for payments in non-U.S. currency, the swap agreement would tend to decrease such Moon Capital Fund’s exposure to U.S. interest rates and increase its exposure to non-U.S. currency and interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility of a Moon Capital

Fund's portfolio. The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, individual equity values or other factors that determine the amounts of payments due to and from the Moon Capital Fund. If a swap agreement calls for payments by the Moon Capital Fund, such Moon Capital Fund must be prepared to make such payments when due. In addition, if a counterparty's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses by the Moon Capital Fund.

**Short Selling.** Short selling involves selling securities which are not owned by the short seller and borrowing them for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in market price to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which the Moon Capital Funds engage in short sales will depend upon Moon Capital's investment strategy and opportunities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Moon Capital Funds of buying those securities to cover the short position. There can be no assurance that the Moon Capital Funds will be able to maintain the ability to borrow securities sold short. In such cases, the Moon Capital Funds can be "bought in" (*i.e.*, forced to repurchase securities in the open market to return to the lender) and/or bear costs associated with penalties that are imposed upon brokers and passed onto the Moon Capital Funds. There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

**Forward Trading.** Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by the Moon Capital Funds due to unusual trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which Moon Capital would otherwise recommend, to the possible detriment of the Moon Capital Funds. Market illiquidity or disruption could result in major losses to the Moon Capital Funds.

**Futures Contracts.** Futures positions may be illiquid because certain futures exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits". Under such daily limits, during a single trading day no trades may be executed at prices beyond the daily limits. Once the price of a particular futures contract has increased or decreased by an amount equal to the daily limit, positions in that contract can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. This could prevent the Moon Capital Funds from promptly liquidating unfavorable positions and subject the Moon Capital Funds to substantial losses or from entering into desired trades. In extraordinary circumstances, a

futures exchange could suspend trading in a particular futures contract, or order liquidation or settlement of all open positions in such contract.

Futures contract prices on various commodities or financial instruments occasionally have moved the daily limit for several consecutive days with little or no trading. Similar occurrences could prevent the Moon Capital Funds from promptly liquidating unfavorable positions and subject the Moon Capital Funds to substantial losses. In addition, the Moon Capital Funds may not be able to execute futures contract trades at favorable prices if trading volume in such contracts is low. It is also possible that an exchange or a regulator (such as the SEC or Commodity Futures Trading Commission (the “CFTC”)) may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract or order that trading in a particular contract be conducted for liquidation only. In addition, the CFTC and various exchanges impose speculative position limits on the number of positions that may be held in particular commodities. Trading in commodity futures contracts and options are highly specialized activities that may entail greater than ordinary investment or trading risks. Furthermore, low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately large profit or loss.

**Hedging Transactions.** Each Moon Capital Fund may, but is not obligated to, utilize financial instruments, both for investment purposes and for risk management purposes in order to (i) protect against possible changes in the market value of such Moon Capital Fund’s investment portfolios resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect such Moon Capital Fund’s unrealized gains in the value of such Moon Capital Fund’s investment portfolios; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in such Moon Capital Fund’s portfolios; (v) hedge the interest rate or currency exchange rate on any of such Moon Capital Fund’s liabilities or assets; (vi) protect against any increase in the price of any securities such Moon Capital Fund’s anticipate purchasing at a later date; or (vii) for any other reason that Moon Capital deems appropriate.

The success of the Moon Capital Funds’ hedging strategy will depend, in part, upon Moon Capital’s ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Moon Capital Funds’ hedging strategy will also be subject to Moon Capital’s ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Moon Capital Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Moon Capital Funds than if they had not engaged in such hedging transactions. For a variety of reasons, Moon Capital may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent the Moon Capital Funds from achieving the intended hedge or expose the Moon Capital Funds to risk of loss. Moon Capital may not hedge against a particular risk because it does not regard the probability of the risk occurring to be sufficiently high as to justify the cost of the hedge, or because it does not foresee the occurrence of the risk. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of each Moon Capital Fund’s portfolio holdings.

**Highly Volatile Markets.** The prices of financial instruments in which the Moon Capital Funds may invest can be highly volatile. Price movements of forward and other derivative contracts in which the Moon Capital Funds' assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The Moon Capital Funds are subject to the risk of failure or closure of any of the exchanges on which their positions trade or of their clearinghouses.

**Necessity for Counterparty Trading Relationships; Counterparty Risk.** The Moon Capital Funds have established, and expect to establish in the future, many counterparty relationships to obtain financing, derivative exposure and prime brokerage services that permit the Moon Capital Funds to trade in any variety of markets or asset classes over time; however, there can be no assurance that the Moon Capital Funds will be able to maintain or establish such relationships. An inability to establish or maintain such relationships would limit a Moon Capital Fund's trading activities, could create losses, preclude such Moon Capital Fund from engaging in certain transactions or obtaining financing, derivative exposure and prime brokerage services and prevent such Moon Capital Fund from trading at optimal rates and terms. Moreover, a disruption in the financing, availability of derivative trading and prime brokerage services provided by any such relationships before a Moon Capital Fund establishes additional counterparty relationships could have a significant impact on such Moon Capital Fund's business due to such Moon Capital Fund's reliance on such counterparties.

Some of the markets in which the Moon Capital Funds may effect transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes the Moon Capital Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing the Moon Capital Funds to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Moon Capital Funds have concentrated their transactions with a single or small group of counterparties.

The Moon Capital Funds are not restricted from dealing with any particular counterparty or from concentrating any or all of their transactions with one counterparty. Moon Capital's evaluation of the creditworthiness of counterparties may not prove sufficient. The lack of a complete and "foolproof" evaluation of the financial capabilities of any Moon Capital Fund's counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by such Moon Capital Fund.

**Counterparty Default.** The stability and liquidity of repurchase agreements, swap transactions, forward transactions and other over-the-counter derivative transactions depend in large part on the creditworthiness of the parties to the transactions. It is expected that Moon Capital will monitor on an ongoing basis the creditworthiness of firms with which it will enter into repurchase agreements, interest rate swaps, caps, floors, collars or other over-the-counter derivatives. If there is a default by the counterparty to such a transaction, the Moon Capital Funds will under most normal circumstances have contractual remedies pursuant to the agreements related to the transaction. However, exercising such contractual rights may involve delays or costs which could result in the net asset value of the Moon

Capital Funds being less than if the Moon Capital Funds had entered into the transaction with a different counterparty or on different contractual terms. Furthermore, there is a risk that any of such counterparties or any of the Moon Capital Funds' custodians could become insolvent. If one or more of the Moon Capital Funds' counterparties were to become insolvent or the subject of liquidation proceedings in the United States (either under the Securities Investor Protection Act or the United States Bankruptcy Code), there exists the risk that the recovery of the Moon Capital Funds' securities and other assets from such prime broker, broker-dealer or custodian will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker, broker-dealer or custodian.

In addition, the Moon Capital Funds may use counterparties located in various jurisdictions outside the United States. Such local counterparties are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Moon Capital Funds' assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on the Moon Capital Funds and their assets. Investors should assume that the insolvency of any counterparty would result in a loss to the Moon Capital Funds which could be material.

**Central Clearing.** In order to mitigate counterparty risk and systemic risk in general, various U.S. and international regulatory initiatives are underway to require certain derivatives to be cleared through a clearinghouse. In the United States, clearing requirements were part of the Dodd-Frank Act. The CFTC imposed its first clearing mandate on December 13, 2012 affecting certain interest rate and credit default swaps. It is expected that the CFTC and the SEC will introduce clearing requirements for other derivatives in the future. Trades submitted for clearing will be subject to minimum initial and variation margin requirements set by the relevant clearinghouse, futures commission merchants (each, an "FCM"), as well as possible SEC or CFTC mandated margin requirements. The Moon Capital Funds would not be in direct privity with the clearinghouse, but instead act through a member of the clearinghouse, an FCM, which acts as a quasi-agent, guaranteeing the obligations of the Moon Capital Funds to the clearinghouse. This regime is modeled in large part after the U.S. futures clearing regime. Clearing through FCMs has in certain cases led to losses caused by operational failure or fraud.

As products become more standardized in order to be cleared, standardized derivatives may mean that the Moon Capital Funds may not be able to hedge their risks or express an investment view as well as they would using customizable derivatives available in the over-the-counter markets. Compared to the OTC derivatives market, the Moon Capital Funds may be subject to more onerous and more frequent (daily or even intraday) margin calls from both the clearinghouse and the FCM. Virtually all of the margin models that are utilized by the clearinghouses are dynamic, meaning that, unlike many of the Moon Capital Funds' bilateral swap contracts where the amount of initial margin posted on the contract is typically static throughout of the life of the contract, the amount of the initial margin that is required to be posted in respect of a cleared contract will fluctuate, sometimes significantly, throughout the life of the contract. The dynamic nature of the margin models utilized by the clearinghouses and the fact that the margin models might be changed at any time may subject the Moon Capital Funds to an unexpected increase in collateral obligations by clearinghouses during a volatile market environment which could have a detrimental effect on the Moon Capital Funds. Clearinghouses also limit collateral that they will accept to cash, U.S. treasuries and, in some cases, other highly rated sovereign and private debt

instruments, which may require the Moon Capital Funds to borrow eligible securities from a dealer to meet margin calls and raise the costs of cleared trades to the Moon Capital Funds. In addition, clearinghouses may not allow the Moon Capital Funds to portfolio margin (or cross margin) their positions, which may increase the amount of overall margin that the Moon Capital Funds need to post. While clearinghouse margin models are dynamic and may change daily, they are also different from the margin models applied by OTC derivative dealers. The OTC derivative dealers generally have a model that is supported by a team of individuals that analyze the credit risk of each fund and fund manager by reviewing, among other variables, strategy, performance, key portfolio managers, sophistication of technology and operations, traditional volatility, types of products, and lock-up periods. The model used by the dealers to apply margin is tailored for the risk of each fund and fund manager. In contrast, the clearinghouse margin model is applied across all types of counterparties and there is no analysis of individual counterparty risks. This may mean that the clearinghouse margin model may be less fluid. It may mean that it is also more expensive overall for the Moon Capital Funds than if specific factors of the Moon Capital Funds were considered. Also, each clearinghouse only covers a limited range of products and the Moon Capital Funds may have to spread their derivative portfolios across multiple clearinghouses, which in turn reduces the benefits of netting that derivatives users rely on to mitigate counterparty risk.

Although standardized clearing for derivatives is intended to reduce risk (for instance, they may reduce the counterparty risk to the dealers to which a Moon Capital Fund would be exposed under OTC derivatives), it does not eliminate risk. Rather, standardized clearing transfers risk of default from the over-the-counter derivatives dealer to the central clearinghouse, which may increase systemic risk, potentially more so than a failure by an OTC derivatives counterparty. The failure of a clearinghouse could have a significant impact on the financial system. Even if a clearinghouse does not fail, large losses could force significant capital calls on member firms during a financial crisis, which could lead member firms to default, worsening the crisis. Because these clearinghouses are still developing and the related bankruptcy process is untested, it is difficult to speculate what the actual risks would be to the Moon Capital Funds related to the default of a clearinghouse. While the futures model worked well during the Lehman crisis in 2008, there has been no testing whether the model is scalable so that it would apply to derivatives more generally. In addition, there is no one international standard for clearinghouses; existing clearinghouses have different waterfalls that apply upon the insolvency of a clearinghouse or a clearinghouse member and it is possible that the Moon Capital Funds could be in a worse position if a clearinghouse were to fail than had the Moon Capital Funds executed trades with a traditional derivative counterparty. Also, a clearinghouse will likely require that the Moon Capital Funds relinquish control of their transactions if the clearinghouse were to become insolvent, and, therefore, the Moon Capital Funds would not be able to terminate and close out of a defaulting clearinghouse's positions, but would become subject to regulators' control over those positions. In such a circumstance, the Moon Capital Funds may not be able to take actions that they deem appropriate to lessen the impact of such clearinghouse default. Clearinghouses tend to trade in particular products in order to achieve economy of scale. This heightens the concentration risk for the Moon Capital Funds, which might not be easily hedged. In that case, the Moon Capital Funds may only be able to protect themselves from clearinghouse risk by exiting the market entirely, potentially foregoing an entire segment of beneficial transactions.

Applicable regulations may also require the Moon Capital Funds to make public information regarding their swaps volume, position size and/or trades, which could detrimentally impact the Moon Capital Funds' ability to achieve their investment objectives.

**Systemic Risk.** Credit risk may arise through a default by one of several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which the Moon Capital Funds interact on a daily basis.

**Position Concentration.** To the extent a Moon Capital Fund's investments are concentrated in a particular issuer, such Moon Capital Fund's portfolio may become more susceptible to fluctuations in value resulting from adverse economic or business conditions affecting that particular issuer.

**Model and Data Risk.** The Moon Capital Funds rely on proprietary analytical models and algorithms developed by Moon Capital and information and data supplied by third parties ("Models and Data"). Models and Data are used to value investments or potential investments.

When Models and Data prove to be incorrect, misleading, or incomplete, any decisions made in reliance thereon expose the Moon Capital Funds to potential risks. For example by relying on Models and Data, especially valuation models, the Moon Capital Funds may be induced to buy certain investments at prices that are too high, to sell certain other investments at prices that are too low, or to miss favorable opportunities altogether. Similarly, any hedging based on faulty Models and Data may prove to be unsuccessful. Furthermore, when determining the net asset value of the Moon Capital Funds, any valuations of the Moon Capital Funds' investments that are based on valuation models may prove to be incorrect.

Some of the analytical models used by Moon Capital are predictive in nature. The use of predictive models has inherent risks. For example, such models may incorrectly forecast future behavior, leading to potential losses on a cash flow and/or a mark-to-market basis. Furthermore, since predictive models are usually constructed based on historical data supplied by third parties, the success of relying on such models may depend heavily on the accuracy, timeliness and reliability of the supplied historical data.

All valuation models rely on correct market data inputs. If incorrect market data is entered into even a well-founded valuation model, the resulting valuations will be incorrect. However, even if market data is inputted correctly, "model prices" will often differ substantially from market prices, especially for securities with complex characteristics, such as derivative securities.

The success of the Moon Capital Funds' investment strategies depend on assumptions underlying the models being and remaining correct. If such assumptions are inaccurate, it is likely that profitable trading signals will not be generated. If and to the extent that the models do not reflect certain factors, and Moon Capital does not successfully address such omission through its testing and evaluation and modify the models accordingly, significant losses could result. Moon Capital will continue to test, evaluate and add new models, as a result of which the existing models may be modified from time to time. Any modification of the models or strategies will not be subject to any requirement that the Moon Capital Funds' investors receive notice of the change or that they consent to it. There can be no

assurance as to the effects (positive or negative) of any modification on the Moon Capital Funds' performance.

**Human Error.** The research and modeling process engaged in by Moon Capital is complex and involves financial, economic, econometric and statistical theories, research and modeling. In certain circumstances, results of that process must then be translated into computer code. Although Moon Capital seeks to retain individuals skilled in each of these functions, the complexity of the individual tasks, the difficulty of integrating such tasks and related systems, the subjective decisions involved in implementing strategies, and the limited ability to perform "real world" testing of the end product raises the chances that the finished model may contain an error; one or more of such errors could adversely affect the Moon Capital Funds' performance. While Moon Capital takes steps to attempt to mitigate the risk of human error, such steps may be unsuccessful and, in any event, will never be able to eliminate all human error. Moon Capital is not obligated to disclose such errors to the Moon Capital Funds' investors.

**Dependence on Technology.** Moon Capital's investment processes, including systematic trading, risk management, trade allocation and certain components of research activity, are highly automated and rely heavily on technology, including hardware, software, and other computerized or automated processes. The performance of the Moon Capital Funds, as well as various critical processes of Moon Capital, could be severely compromised by coding errors, computer viruses, telecommunications failures, power loss, natural disasters, security breaches, software related "crashes," disruption or deterioration of services from third party providers, terrorist attacks, and similar events. Any event that interrupts Moon Capital's computer and telecommunications operations could result in, among other things, the inability of Moon Capital to establish, modify, liquidate, hedge, or monitor the Moon Capital Funds' investments and therefore could have a material adverse effect on the Moon Capital Funds.

For more information, see Item 4 (Advisory Business), Item 10 (Other Financial Industry Activities and Affiliations), Item 11 (Code of Ethics, Participation or Interest in Client Transactions and Personal Trading) and Item 12 (Brokerage Practices).

## **Item 9. Disciplinary Information**

In September 2008, Moon Capital entered into a negotiated settlement with the SEC relating to a short sale made by the Moon Flagship Fund in May 2005 that the SEC alleged was done in contravention of Regulation M as it existed at that time, which restricted how certain short positions could be covered by an investor also buying shares in a secondary offering. Moon Capital agreed to the terms of the settlement, without admitting or denying any wrongdoing, and paid the full amount of the US\$88,100 profit disgorgement (plus interest) and US\$30,000 penalty under the settlement, so that the settlement did not result in any cost to the Moon Capital Funds. As part of the settlement order, the SEC "considered remedial acts promptly undertaken by Moon Capital and cooperation afforded the SEC staff." Regulation M was substantially revised in October 2007. Rather than restricting how certain short positions established during the Regulation M restricted period could be covered (as the prior rule did), the new rule prohibits an investor from participating in a secondary offering if that investor effected a short sale during the restricted period in the securities being offered. Moon Capital has appropriate policies and procedures in place to comply with Regulation M and provided copies thereof to the SEC in connection with this settlement.



In January 2010 and February 2010, Moon Capital paid (on behalf of itself, JWM Capital LLC and John W. Moon) aggregate amounts of approximately US\$1,650 to the Accounting and Corporate Regulatory Authority of Singapore and the Monetary Authority of Singapore for contravening the Companies Act of Singapore and the Securities and Futures Act of Singapore. These laws require substantial shareholders of listed companies to notify the applicable issuer and Singaporean securities exchange of a change in shareholding within a specified time frame. These payments did not result in any cost to the Moon Capital Funds. Moon Capital voluntarily reported the delayed notification to the Singaporean authorities upon its discovery in connection with an internal compliance review.

In September 2010, Moon Capital paid a late filing penalty of approximately US\$16,560 to the Norwegian Treasury for contravening the Norwegian Securities Trading Act which requires shareholders of listed companies to notify the Financial Supervisory Authority of Norway or its designates within a specified time frame after surpassing a designated shareholding threshold. This payment did not result in any cost to the Moon Capital Funds. Moon Capital voluntarily reported the delayed notification to the Norwegian authorities upon its discovery in connection with an internal compliance review.

There are no other legal or disciplinary events that are material to a client's or prospective client's evaluation of Moon Capital's advisory business or the integrity of Moon Capital's management.

#### **Item 10. Other Financial Industry Activities and Affiliations**

Moon Capital provides investment advisory services solely to the Moon Capital Funds, as more fully discussed in Item 4 (Advisory Business).

Moon Capital Advisers LLC, a Delaware limited liability company, serves as the general partner or manager, as applicable, of the Moon Capital Funds. John W. Moon is the principal owner and managing member of Moon Capital Advisers LLC. Moon Capital and Moon Capital Advisers LLC have together filed a single Form ADV and accordingly, Moon Capital Advisers LLC is not separately registered as an investment adviser with the SEC, but is considered to be a registered investment adviser by virtue of Moon Capital's registration with the SEC. JWM Capital LLC, a Delaware limited liability company, serves as the general partner of Moon Capital Management LP. John W. Moon is the principal owner and managing member of JWM Capital LLC.

Moon Capital Singapore Pte Ltd. ("Moon Capital Singapore"), a company incorporated and based in Singapore, has been engaged by Moon Capital and the Moon Capital Funds to serve as a sub-adviser to Moon Capital for the Moon Capital Funds. Moon Capital Singapore is a wholly-owned subsidiary of Moon Capital Management LP and provides Moon Capital with research and other investment management services. Moon Capital Singapore is registered with the Monetary Authority of Singapore as a Licensed Fund Management Company under the Securities and Futures Act (Cap. 289) of Singapore, as amended. Moon Capital and Moon Capital Singapore Pte. Ltd. have together filed a single Form ADV and accordingly, Moon Capital Singapore Pte. Ltd. is not separately registered as an investment adviser with the SEC, but is considered to be a registered investment adviser by virtue of Moon Capital's registration with the SEC. The Moon Capital Funds do not pay any compensation to Moon Capital Singapore.

John W. Moon is the indirect, majority owner of an investment management firm headquartered in Dubai, named A/T Capital Management Limited ("A/T Capital"). A/T Capital is a limited company organized under the laws of the Dubai International Financial Centre and is regulated by the Dubai Financial Services Authority. Omar Abdallah and Ali Taqi are the portfolio managers and executive directors of A/T Capital and manage all aspects of its day-to-day business. Messrs. Abdallah and Taqi each also owns a minority economic interest in A/T Capital. A/T Capital is the investment manager to, and has full investment discretion over, privately offered pooled alternative investment vehicles (Moon A/T Capital GCC Master Fund Ltd., Moon A/T Capital GGC Fund LP and Moon A/T Capital GCC Offshore Fund Ltd.) and separately managed accounts. A/T Capital employs an investment strategy distinct from those of the Moon Capital Funds by focusing on investments in the Middle East and North Africa, with a particular emphasis on countries included in the Gulf Cooperation Council. Moon Capital does not serve as an investment adviser to these investment funds or separately managed accounts, but provides certain administrative, operational and other professional support services to A/T Capital. None of Moon Capital, its employees and/or its affiliates participate in the day-to-day investment activities of A/T Capital and none of Moon Capital, its employees and/or its affiliates are responsible for the investment decisions made by A/T Capital. A/T Capital does not serve as an investment adviser to the Moon Capital Funds, although Messrs. Abdallah and Taqi may provide Moon Capital with market color and other information. The Moon Capital Funds have a passive investment as shareholders in Moon A/T Capital GCC Master Fund Ltd., but the Moon Capital Funds do not pay management fees or any performance-based compensation to A/T Capital in connection therewith. Additional information about A/T Capital is also available on the Dubai International Financial Centre's website at <http://www.difc.ae/capital-management-limited>.

During 2015, an affiliate of Moon Capital (the Swap Affiliate") has written security-based swaps with a single counterparty ("Existing Swaps"), and in the future may write other security-based swaps and other similar financial instruments that are in the aggregate "de minimis" as such term is used under Rule 3a71-2 promulgated under the Exchange Act. Given the investment focus and risk parameters of the Moon Capital Funds, among other reasons, Moon Capital does not believe that writing swaps is an appropriate activity for the Moon Capital Funds. In order to mitigate potential conflicts of interest, the Swap Affiliate does not expect to write any swap or similar financial instrument relating to issuer(s) whose securities are owned by the Moon Capital Funds at the time such instrument is written. The transactions entered by the Swap Affiliate are expected to be fully collateralized and hedged, in order to avoid exposing the Swap Affiliate to market or credit risk. For the avoidance of doubt, nothing in this paragraph shall be construed to in any way limit any Moon Capital Fund from otherwise entering into swaps as a counterparty.

### **Conflicts of Interest**

The Moon Capital Funds are subject to a number of actual and potential conflicts of interest. Certain inherent conflicts of interest arise from the fact that Moon Capital and its affiliates and joint venture parties provide investment management services to the Moon Capital Funds and other investment funds, and may, in the future, carry on investment activities for other clients, including other investment funds, client accounts and proprietary accounts sponsored by Moon Capital or its affiliates in which the Moon Capital Funds will have no interest or enter into joint ventures arrangements with entities that carry on investments activities for other investment funds or managed accounts in which the Moon Capital Funds will have no interest (in each case, such other clients, funds and accounts, collectively, "Other

Accounts”). The respective investment programs of the Moon Capital Funds and Other Accounts may or may not be substantially similar. The portfolio strategies employed by Moon Capital and its affiliates for Other Accounts could conflict with the transactions and strategies employed by Moon Capital in managing the Moon Capital Funds and may affect the prices and availability of the securities and instruments in which the Moon Capital Funds invest. Conversely, participation in specific investment opportunities may be appropriate, at times, for both the Moon Capital Funds and Other Accounts. In circumstances where Moon Capital and its affiliates manage Moon Capital Funds and Other Accounts that pay higher fees and/or performance based compensation than other Moon Capital Funds, Moon Capital and its affiliates may have an incentive to favor such Moon Capital Funds and/or Other Accounts when allocating investment opportunities. However, participation in such opportunities will be allocated on a basis which Moon Capital believes to be equitable, taking into account such factors as the relative amounts of capital available for new investments, relative exposure to short-term market trends, the tax situation and the respective investment programs and portfolio positions of the Moon Capital Funds and Other Accounts for which participation is appropriate. Such considerations may result in allocations of certain investments among the Moon Capital Funds and Other Accounts on other than a *pari passu* basis, which could result in different performance among, *inter alia*, the Moon Capital Funds and Other Accounts. In particular, there will likely be divergences between the investment portfolios of the Moon Flagship Fund and the Moon Partners Fund due to differences in the investment objectives.

Further, in the event that Moon Capital identifies an opportunity to invest in an Illiquid Investment that might otherwise be appropriate to designate as a Special Investment but a Moon Capital Fund has insufficient capital to invest in the opportunity due to a lack of investors who have made an Opt-In Election, Moon Capital has the discretion to invest in that security itself, or to approach certain existing or new investors, including principals and employees of Moon Capital, to invest specifically in that investment. Consequently, Moon Capital and its affiliates and their respective principals, partners, officers and employees or certain other investors may receive a disproportionate share of that investment relative to the total available capital of the applicable Moon Capital Fund.

Subject to each Moon Capital Fund’s respective investment guidelines, Moon Capital may effect internal cross transactions among the Moon Capital Funds for the purpose of rebalancing the portfolios of the Moon Capital Funds. In such cases, one Moon Capital Fund will purchase securities held by another account. Moon Capital effects these transactions periodically, pursuant to a formula that will result in each Moon Capital Fund holding substantially similar securities in amounts that are relative to each Moon Capital Fund’s targeted gross exposure based on their respective investment programs. Moon Capital effects these transactions based on the then current independent market price and consistent with valuation procedures established by Moon Capital. None of Moon Capital or any related party receives any compensation in connection with these rebalancing transactions. These cross transactions (otherwise known as journal trades) will be made without brokerage commissions being charged.

In addition, portfolio rebalancing between the Moon Capital Funds (pursuant to the same formula referenced above) may result in one Moon Capital Fund purchasing securities or other investments while another Moon Capital Fund is selling the same securities or investments, in each case in the open market, to the extent internal cross transactions are not permitted under applicable trading rules. These open market transactions may result in brokerage commissions being charged.

Certain expenses borne by the Moon Capital Funds may indirectly benefit Moon Capital and its personnel. For example, the entire cost of MoonWeb, Moon Capital's proprietary OMS, risk management and operations platform is borne by the Moon Capital Funds and the Other Accounts, although Moon Capital receives operational benefits from such platform.

Moon Capital may open "average price" accounts with brokers. In an "average price" account, purchase and sale orders placed during a trading day on behalf of the Moon Capital Funds, Other Accounts or affiliates of Moon Capital are combined, and securities bought and sold pursuant to such orders are allocated among such accounts on an average price basis.

Moon Capital, whose compensation is based on the value of the Moon Capital Funds' assets, values the assets of the Moon Capital Funds in accordance with Moon Capital's valuation policy and the terms of the applicable Moon Capital Fund's governing documents. If Moon Capital determines that the valuation of any securities pursuant to such policy does not fairly represent market value, Moon Capital will value such investment as it determines in its discretion.

The use of a master-feeder structure may create a conflict of interest in that different tax considerations for the feeder funds relating to each Moon Capital Fund, if any, may cause or result in the applicable master fund structuring or disposing of an investment in a manner or at a time that is more advantageous (or disadvantageous for tax purposes) to one feeder fund or its investors. Furthermore, the assets of each Moon Capital Fund's master fund are cross-collateralized; the creditors of the applicable master fund may enforce claims against all of the assets of such master fund. Accordingly, risks specific to any feeder fund (or specific class of interest in a feeder fund) relating to a Moon Capital Fund cannot be effectively isolated.

Moon Capital and its affiliates and their respective partners, officers and employees will devote to each Moon Capital Fund as much time as Moon Capital deems necessary and appropriate to manage such Moon Capital Fund's business. Moon Capital and its affiliates are not restricted from forming additional investment funds, entering into other investment advisory relationships or engaging in other business activities, even though such activities may be in competition with the Moon Capital Funds and/or may involve substantial time and resources of Moon Capital or its affiliates. These activities could be viewed as creating a conflict of interest in that the time and effort of Moon Capital and its affiliates and their respective partners, officers and employees will not be devoted exclusively to the business of the Moon Capital Funds, but will be allocated between the business of the Moon Capital Funds and other business activities of Moon Capital and its affiliates.

The Moon Capital Funds will not make loans to, and, absent any approval required pursuant to applicable securities laws and regulations, do not expect to engage in any principal transactions or other investment transactions with, Moon Capital and its affiliates or any entity controlled by Moon Capital and its affiliates.

The Moon Capital Funds will only enter into transactions involving an affiliate of Moon Capital on an arm's length basis, and on terms and conditions at least as favorable to the applicable Moon Capital Fund as terms and conditions available in transactions with unrelated third parties.

Subject to internal compliance policies and approval procedures, employees of Moon Capital and its affiliates may engage in personal trading of securities and other instruments, including securities and instruments in which the Moon Capital Funds may invest.

Investors in a Moon Capital Fund may have conflicting investment, tax and other interests with respect to their investments in the applicable Moon Capital Fund. The conflicting interests of investors in the Moon Capital Funds may relate to or arise from, among other things, the nature of investments made by the Moon Capital Funds, the structuring or the acquisition of investments and the timing of disposition of investments. As a consequence, conflicts of interest may arise in connection with the decisions made by Moon Capital, including with respect to the nature or structuring of investments that may be more beneficial for one investor in any Moon Capital Fund than for another investor in any Moon Capital Fund, especially with respect to investors' individual tax situations. In selecting and structuring investments appropriate for the Moon Capital Funds, Moon Capital will generally consider the investment and tax objectives of the Moon Capital Funds and their investors as a whole, not the investment, tax or other objectives of any investor individually.

Mr. Moon, his family members, certain professional personnel of Moon Capital and its affiliates and trusts and other entities established for the benefit of such persons have invested in the Moon Capital Funds, in cash or in-kind. Such investments may be significant relative to the total net asset value of a Moon Capital Fund.

For more information, see Item 4 (Advisory Business), Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss), Item 11 (Code of Ethics, Participation or Interest in Client Transactions and Personal Trading) and Item 12 (Brokerage Practices).

#### **Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Moon Capital has adopted a code of ethics pursuant to Rule 204A-1 under the Advisers Act. Moon Capital's code of ethics is applicable to all of Moon Capital's employees and requires them to act in full compliance with all applicable laws and regulations governing the provision of investment advisory services to Moon Capital's clients. One of the primary goals of the code of ethics is to identify and resolve conflicts of interests in favor of Moon Capital's clients and, accordingly, the code of ethics highlights the general principles that each supervised person: (i) owes a fiduciary obligation to all clients; (ii) has the duty at all times to place the interests of all clients first and foremost; (iii) must refrain from taking inappropriate advantage of one's position with clients; (iv) must conduct their personal securities transactions in a manner that avoids conflicts or the appearance of conflicts of interest, or abuses of their position of trust and responsibility; (v) must avoid actions or activities that allow (or appear to allow) them or their immediate family members to benefit from their position with Moon Capital, at the expense of clients, or that bring into question their independence or judgment; and (vi) must comply with all applicable federal securities laws.

Moon Capital's code of ethics requires each supervised person, among other things, to: (i) obtain pre-approval from Moon Capital's Chief Compliance Officer of all personal securities transactions in reportable securities (subject to certain exceptions for transactions in discretionary accounts managed by third parties and certain other accounts that do not have the capacity to purchase individual securities)

and comply with a minimum required holding period for such personal securities transactions; (ii) report all holdings in personal securities accounts and personal securities transactions in reportable securities to Moon Capital's Chief Compliance Officer periodically; (iii) refrain from any personal securities transactions in any security that is on Moon Capital's restricted list; and (iv) certify compliance with Moon Capital's code of ethics on at least an annual basis. Subject to its code of ethics, Moon Capital's employees may engage in personal trading of securities and other instruments, including securities and instruments in which the Moon Capital Funds may invest.

All violations of Moon Capital's code of ethics must be promptly reported to Moon Capital's Chief Compliance Officer, who is primarily responsible for administering and enforcing Moon Capital's code of ethics.

Clients or prospective clients may obtain a copy of Moon Capital's code of ethics by sending a written request to:

Moon Capital Management LP  
499 Park Avenue, 8th Floor  
New York, New York 10022  
Attention: Chief Compliance Officer  
Fax: (212) 652-4501  
Email: FormADV@mooncapital.com

For more information, see Item 10 (Other Financial Industry Activities and Affiliations) and Item 12 (Brokerage Practices).

## **Item 12. Brokerage Practices**

Portfolio transactions for the Moon Capital Funds are allocated to brokers on the basis of best execution and in consideration of a broker's ability to effect the transactions, its facilities, reliability and financial responsibility and the provision or payment by the broker of the costs of research and research-related services which are of benefit to the Moon Capital Funds, Moon Capital, its affiliates and related funds and accounts. Moon Capital need not solicit competitive bids and does not have an obligation to seek the lowest available commission or other transaction cost. Accordingly, the commissions and other transaction costs (which may include dealer markups or markdowns arising in connection with riskless principal transactions) charged to the Moon Capital Funds by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers that may not offer such products and services.

Research products and services provided to Moon Capital may include research reports on particular industries and companies, economic surveys and analyses, advice from legal, strategic, financial and industry consultants and advisors, recommendations as to specific securities, and other products and services providing lawful and appropriate assistance to Moon Capital in the performance of its investment decision-making responsibilities.

The use of commission dollars (or dealer markups and markdowns only in connection with riskless principal transactions) for research and research-related services will come within the safe harbor for the use of soft dollars provided under Section 28(e) of the Exchange Act. In the last fiscal year, commission

dollars were used for research reports, research consulting services and financial data and data feeds, among other things. Under Section 28(e), research products or services obtained with soft dollars generated by the Moon Capital Funds may be used by Moon Capital to service accounts other than the Moon Capital Funds (*i.e.*, Other Accounts).

Subject to the considerations described above, the selection of a broker (including a prime broker) to execute transactions, provide financing and securities on loan, hold cash and short balances, and provide other services may be influenced by, among other things, the provision by the broker of the following: capital introduction, marketing assistance, consulting with respect to technology, operations, equipment, commitment of capital, access to company management, access to deal flow and reporting services. Neither Moon Capital nor the Moon Capital Funds separately compensate any broker for any of these other services.

The Moon Capital Funds' securities transactions can be expected to generate brokerage commissions and other compensation, all of which the Moon Capital Funds, not Moon Capital, will be obligated to pay. Moon Capital has complete discretion in deciding what brokers and dealers the Moon Capital Funds will use and in negotiating the rates of compensation the Moon Capital Funds will pay. In addition to using brokers as "agents" and paying commissions, the Moon Capital Funds may buy or sell securities directly from or to dealers acting as principals at prices that include markups or markdowns, and may buy securities from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers.

From time to time, the Moon Capital Funds may execute over-the-counter trades on an agency basis rather than on a principal basis. In these situations, the broker used by the Moon Capital Funds may acquire or dispose of a security through a market-maker (a practice known as "interpositioning"). The transaction may thus be subject to both a commission and a markup or markdown. Moon Capital believes that the use of a broker in such instances is consistent with its duty of obtaining best execution for the Moon Capital Funds. The use of a broker can provide anonymity in connection with a transaction. In addition, a broker may, in certain cases, have greater expertise or greater capability in connection with both accessing the market and executing a transaction.

Moon Capital conducts subjective and objective assessments of the performance and contribution of execution brokers, prime brokers and derivative security counterparties twice a year. In its periodic broker reviews, Moon Capital takes into account services received by it in the previous period and sets targets for commission allocations for the next period. All traders, analysts and operations staff participate in this review. Moon Capital's traders monitor broker commissions paid against commission targets on an ongoing basis, and a committee (including Moon Capital's traders, Chief Operating Officer and Chief Compliance Officer) meets to review these targets on a monthly basis.

Factors Moon Capital considers in the broker review and/or determining which broker to use for a specific trade include, but are not limited to:

- the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any);

- the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution;
- the financial strength, integrity and stability of the broker;
- the broker's risk in positioning a block of securities;
- the quality, comprehensiveness and frequency of available research, sales or other services, and/or conferences and corporate events considered to be of value;
- the competitiveness of commission rates in comparison with other brokers satisfying Moon Capital's other selection criteria;
- the ability of the broker to appropriately handle transactions and ability to maintain confidentiality;
- a broker's willingness to enter into difficult transactions, including transactions in which the broker's capital is put at risk;
- the broker's expertise in effecting difficult trades in less liquid, smaller capitalized, and more closely held issues;
- the speed of execution on competing markets;
- the broker's electronic trading infrastructure;
- access to underwritten offerings and secondary market trades;
- the broker's demonstrated ability to achieve the best net results on transactions in a particular sector or of a particular size; and
- the broker's ability to complete the transaction satisfactorily through to clearance, confirmation and delivery.

For more information, see Item 10 (Other Financial Industry Activities and Affiliations).

### **Item 13. Review of Accounts**

Moon Capital performs various daily, weekly, monthly, quarterly and other periodic reviews of the Moon Capital Funds' portfolios. These reviews are conducted by Mr. Moon, research analysts and traders who monitor and review portfolio positions, investment opportunities and risk. In addition, trading operations personnel and other non-investment professionals, including the Chief Financial Officer, Controller, Chief Operating Officer and Chief Compliance Officer, also review the portfolios for operational, accounting, reporting and compliance purposes.

Investors in the Moon Capital Funds receive various periodic written reports, including weekly and monthly performance estimates from Moon Capital, monthly account statements from the Moon Capital Funds' independent administrator and monthly portfolio exposure reports from Moon Capital. The



annual audited financial statements of the applicable Moon Capital Fund are sent to investors within 90 days after the end of each fiscal year, or as soon as is reasonably practicable thereafter. In addition, investors in the Moon Capital Funds generally receive a quarterly letter from Moon Capital containing commentary on the Moon Capital Funds.

Each Moon Capital Fund may offer certain investors additional information and reporting that other investors may not receive.

#### **Item 14. Client Referrals and Other Compensation**

See Item 12 (Brokerage Practices).

#### **Item 15. Custody**

Moon Capital is deemed to have custody of client funds and securities. Physical custody of the assets of the Moon Capital Funds, however, is held by unaffiliated institutions that are qualified custodians, not by Moon Capital. Account statements related to the Moon Capital Funds are sent by such qualified custodians to Moon Capital.

Moon Capital complies with its obligations under Rule 206(4)-2 under the Advisers Act with respect to each Moon Capital Fund by subjecting each Moon Capital Fund to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and requiring that each Moon Capital Fund distribute its audited financial statements to all investors within 120 days of the end of its fiscal year.

#### **Item 16. Investment Discretion**

Pursuant to the investment management agreements and limited partnership agreements of the Moon Capital Funds, Moon Capital has discretionary authority to manage the Moon Capital Funds. These agreements generally include a power of attorney given by the Moon Capital Funds to Moon Capital.

For more information, see Item 4 (Advisory Business) and Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss).

#### **Item 17. Voting Client Securities**

Moon Capital has been delegated the authority to vote proxies received by the Moon Capital Funds and has adopted a proxy voting policy to ensure that Moon Capital votes such proxies in the best interests of the Moon Capital Funds and their investors. Moon Capital has contracted with Institutional Shareholder Services (“ISS”), a third-party proxy voting service, to assist Moon Capital in receiving, processing and voting proxies. While ISS makes the proxy vote recommendations, Moon Capital retains the ultimate authority on voting decisions. Generally, Moon Capital follows the vote recommendations made by ISS, but shall vote in a different manner if Moon Capital determines such to be in the best interests of the Moon Capital Funds and their investors, which may include situations where:

- Moon Capital reasonably determines that it lacks sufficient information in order to vote (e.g., in the case of late receipt of proxy-related materials from the applicable company);

- the matter to be voted on is not material to the applicable company;
- it would be impracticable to vote proxies without incurring a disproportionate expense and administrative burden (e.g., in non-U.S. jurisdictions where local rules dictate that a local representative must be engaged and granted a power of attorney and such representative must attend a shareholders' meeting in person in order to exercise the proxy);
- voting proxies would involve the relevant custodian imposing a trading restriction the relevant security until after the relevant meeting, typically in jurisdictions where there is no record date concept (i.e., "shareblocking"); or
- such proxy votes relate to positions held in relation to systematic investment strategies (based on each of the first three reasons listed above).

Conflicts of interest may arise between the interests of the Moon Capital Funds and Moon Capital or its affiliates. In any instance where a conflict of interest arises, Moon Capital will vote in accordance with ISS recommendations. In limited circumstances, Moon Capital may refrain from voting proxies where Moon Capital determines that not voting is in the best interests of the Moon Capital Funds. Neither the Moon Capital Funds nor their investors can direct Moon Capital to vote client proxies in a certain manner.

Clients or prospective clients may obtain a copy of Moon Capital's proxy voting policy and a record of proxy votes cast since the effective date of Moon Capital's registration with the SEC by sending a written request to:

Moon Capital Management LP  
 499 Park Avenue, 8th Floor  
 New York, New York 10022  
 Attention: Chief Compliance Officer  
 Fax: (212) 652-4501  
 Email: FormADV@mooncapital.com

#### **Item 18. Financial Information**

There is no current financial condition that is reasonably likely to impair Moon Capital's ability to meet its contractual commitments to clients.