



Form ADV Part 2A

Investment Advisory Brochure

Item 1: Cover Page

This brochure provides information about the qualifications and business practices of Petra Capital Management, Inc. ("Petra" or the "Advisor"). If you have any questions about the contents of this brochure, please contact us at +82-2-3774-0978 or by email at info@petracm.com. The information presented in this brochure was prepared by the Advisor, which is solely responsible for the content. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration as an investment adviser with the SEC does not imply a certain level of skill or training.

Additional information about Petra is also available on the SEC's website at www.adviserinfo.sec.gov.

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Item 2: Material Changes

This is the very first brochure prepared by the Advisor for the purpose of the SEC filing.

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Item 4: Advisory Business

Petra Capital Management, Inc. (“Petra” or the “Advisor”) was co-founded by two managing partners, Messrs. Albert H. Yong and Chan H. Lee (who have over 30 years of combined financial/functional/relevant experience working in Korea) in 2009 and registered as an investment advisory and discretionary management company with the Financial Services Commission of Korea. The managing partners have 100% managing control of the advisor. The Advisor provides investment advisory services on investing in Korean equities either on a discretionary or non-discretionary basis and manages clients’ assets in the form of separately- managed accounts.

The investment objective of the Advisor for its clients is to generate attractive long-term risk-adjusted returns in excess of a hurdle and preserve capital by investing in securities that it believes are undervalued. The Advisor will seek to achieve the investment objective by investing clients’ assets in publicly-traded Korean securities on the Korean stock market that are undervalued and selling at a significant discount to intrinsic value.

The Advisor employs a disciplined deep value investing approach to seek to earn superior returns with limited volatility. The Advisor invests only in a few competitive businesses with strong free cash flow generation, high returns on capital and managements with economic ownership and/or aligned incentives. The Advisor believes that historical norms in valuations based on earnings and cash flow will continue to win out in the long run. The Advisor bases its investment decisions on detailed, research-based analysis and thorough due diligence. Its investment processes are designed to incorporate risk management to every investment decision, using both qualitative and quantitative approaches.

As the end of June 2015, the Advisor’s assets under management in respect of its discretionary separately-managed accounts totaled approximately US\$451 million.

In general, the Advisor does not permit clients to impose limitations on the investment activities of the Advisor; however, specific investment guidelines and restrictions for certain separately-managed accounts may apply, subject to negotiation with clients.

Item 5: Fees and Compensation

All fees for the Advisor’s discretionary separately-managed account clients are subject to negotiation at the Advisor’s discretion. Petra’s standard fee terms are as follows:

- Management fee: 1% per annum of the net asset value of the account
- Performance fee: 20% of the profits over a hurdle rate of 6% per annum

The specific manner in which fees are charged by the Advisor is established in a client’s written agreement with the Advisor. Clients will be billed directly by the Advisor for management fees on a quarterly basis. Clients may elect to be billed in advance or arrears each calendar quarter. Accounts initiated or terminated during a calendar quarter will be charged a pro-rated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable, subject to the particular conditions of a client’s written advisory agreement. A client may terminate the advisory agreement before the end of the agreed term, subject to an early termination fee.

The Advisor charges performance fees to clients on a yearly basis, subject to a hurdle rate and high water mark. In addition to management and performance fees, separately-managed account clients will incur custodian fees, brokerage commission and transaction costs.

Item 6: Performance-Based Fees and Side-By-Side Management

In general, the Advisor receives performance based compensation of 20% of the profits over a hurdle rate of 6% per annum. The Advisor charges performance-based fees for all of its discretionary separately-managed account clients: such fees are subject to individualized negotiation with each such client. In measuring clients’ assets for the calculation of performance-based fees, the Advisor shall include realized and unrealized capital gains and losses. Performance-based fee arrangements may create an incentive for the investment advisor to recommend investments which may be riskier or speculative than those which would be recommended under a different fee

arrangement. Conflicts of interest may also arise when an investment advisor manages multiple separately-managed accounts. Different fee arrangements may also create an incentive to favor higher fee paying accounts, or performance fee paying, over the other accounts in the allocation of investment opportunities. Petra has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Petra employees' accounts are managed by the Advisor and will invest alongside with clients' accounts in order to align their interest with the clients.

Item 7: Types of Clients

The Advisor provides investment advisory and portfolio management services for a wide range of highly sophisticated investors, including endowments, foundations, pensions, corporations, family offices and high net worth individuals. All such clients must be, if applicable, "qualified clients" as defined under the Advisers Act as well as meet certain sophistication requirements. The minimum investment amount is US\$300,000, which may be waived at the Advisor's discretion.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

Investing securities carries substantial risk of loss that clients should be prepare to bear.

The Advisor's primary investment objective for its clients is to achieve long-term capital appreciation. The Advisor will seek to achieve the investment objective by investing clients' assets in publicly-traded Korean securities on the Korean stock market that it believes are undervalued and selling at a significant discount to intrinsic value, where the Advisor believes the potential exists to unlock value through catalysts. The Advisor's investment strategy is long-biased using a bottom-up fundamental valuation approach. The Advisor bases its investment decisions on detailed, research-based analysis and thorough due diligence. Its investment processes are designed to incorporate risk management to every investment decision, using both qualitative and quantitative approaches.

The Advisor spends a considerable amount of effort in evaluating the downside risk of every investment. The Advisor's philosophy focuses on opportunities for long-term value creation through steady, consistent performance with no use of leverage. The Advisor will actively invest in small to mid-cap stocks which are not covered by most analysts and provide more mispriced opportunities.

The Advisor will employ a disciplined deep value investing approach to earn superior returns with limited volatility. The Advisor's focus will be on investing in a few competitive businesses with strong free cash flow generation, high returns on capital and managements with economic ownership and aligned incentives. The Advisor believes that historical norms in valuations based on earnings and cash flow will continue to win out in the long run. The Advisor subscribes to the discipline of buying securities of great companies at attractive prices or so-so companies at give-away prices. Even the best opportunity generates little or no profit if the purchase price exceeds its intrinsic value. The Advisor strives to invest only when there is a margin of safety of 30 to 40%.

The securities business is speculative, prices are volatile, and market movements are difficult to predict. Supply and demand for securities change rapidly and are affected by a variety of factors, including interest rates, merger activities and general economic trends. In addition to these general investment risks, the Advisor may use investment techniques that may subject its clients to certain risks. Some, but not all, of these techniques and risks are summarized below.

Equity Securities. Client accounts will hold long positions in common stocks, preferred stocks and convertible securities. Equity securities fluctuate in value, often based on factors unrelated to the fundamental economic condition of the issuer of the securities, including general economic and market conditions, and these fluctuations can be pronounced. Client accounts may purchase securities without restriction as to market capitalization, such as those issued by small to mid-cap capitalization companies, including micro cap companies.

Investment Concentration. Clients' assets generally will be invested in Korean securities. Accordingly, clients'

assets may be subject to greater risk of loss than if they were more widely diversified regionally, and the failure of a limited number of investments could have a material adverse effect on the client accounts. Because the assets will be concentrated in Korea, the client accounts will be susceptible to a greater degree of risk affecting investments in Korea than would otherwise be the case. Such concentration of investments will likely increase the volatility of the value of the clients' portfolio investments. As such, clients' assets will not be afforded the protection otherwise available through greater diversification of its investments.

Illiquidity of Investments. It may not always be possible for client accounts to execute a buy or sell order on exchanges at the desired price or to liquidate an open position due to market conditions, including the operation of daily price fluctuation limits. Realization of value from such investments may be difficult in the short term, or may have to be made at a substantial discount to recent trading prices and/or the Advisor's assessment of fair value. If trading on an exchange is suspended or restricted, client accounts may not be able to execute trades or close out positions on terms that the Advisor believes are desirable.

Korean Securities. Since client accounts invest in Korean securities, they are subject to various risks inherent in trading foreign securities and/or trading on foreign exchanges, including the potential for fluctuations in currency exchange rates, exchange controls, expropriation, burdensome or confiscatory taxation, or political or economic events, all of which could have an adverse effect on the clients' ability to generate profits on investments. Moreover, securities markets in many Asian countries have substantially less volume of trading and are generally more volatile than securities markets in advanced countries and periods of economic and political uncertainty may result in further volatility. In certain periods, there may be little liquidity in such markets. There is often less government regulation of stock exchanges, brokers and listed companies in Asian countries than in advanced countries. Dealing and dealing-related costs, such as bid-offer spreads, commissions and price sensitivity to trading volume, in many Asian countries are generally higher than such costs in highly-developed markets. In addition, settlement of trades in some Asian markets is much slower and more subject to failure than in high-developed markets.

Risk of Investing in South Korea. Investments in South Korean issuers involve risks that are specific to South Korea, including legal, regulatory, political, currency, security and economic risks. North and South Korea each have substantial military capabilities, and historical tension between the two presents the ongoing risk of war. Any outbreak of hostilities between the two countries could have a severe adverse effect on the South Korean economy and its securities markets.

Risk of Investing in Emerging Markets. Investments in emerging markets are subject to a greater risk of loss than investments in more developed markets. This is due to, among other things, the potential for greater market volatility, lower trading volume, inflation, political and economic instability, greater risk of a market shutdown and more governmental limitations on foreign investments than typically found in more developed markets. In addition, emerging markets often have less uniformity in accounting and reporting requirements, unreliable securities valuation and greater risks associated with custody of securities, as well as greater risk of capital controls through such measures as taxes or interest rate control. Certain emerging market countries may also lack the infrastructure necessary to attract large amounts of foreign trade and investment.

Currency Risk. Clients must be aware of currency risks. The Advisor does not currently contemplate employing currency hedging strategies emanating from its direct equity exposure. Clients will therefore be exposed to the risk of currency fluctuations.

Item 9: Disciplinary Information

There have been no legal or disciplinary events against Petra since its inception in 2009.

Item 10: Other Financial Industry Activities and Affiliations

Petra is affiliated with KVOF LLC, a Delaware limited liability company. KVOF LLC is the general partner of Korea Value Opportunity Fund, LP, a limited partnership organized under the laws of the State of Delaware to invest in Korean equity. Petra has a non-controlling equity stake in this affiliated company.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The Advisor has incorporated in its compliance manual a Code of Ethics (the “Code”) that sets forth the policies and procedures of the Advisor regarding business ethics, confidentiality and personal trading securities. The purpose of the Code is to identify the ethical and legal framework in which the Advisor and its employees are required to operate and to highlight some of the guiding principles and mechanism for upholding the Advisor’s stand of business conduct. The Code includes the following provisions:

Standard of Conduct. The Code is based on the principle that the Advisor and its employees owe a fiduciary duty to the Advisor’s clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid serving their own personal interests ahead of clients, taking inappropriate advantage of their position with the Advisor and any actual or potential conflict of interest or any abuse of their position of trust and responsibility. The purpose of the Code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct.

Prohibited Conduct. The Advisor’s employees are required to avoid any circumstances that might adversely affect, or appear to adversely affect, their duty of loyalty to the Advisor’s clients.

Personal Securities Transactions. The Advisor has adopted the following principles regulating personal investment activities of the Advisor’s employees:

- The interests of client accounts shall at all times be placed first
- All personal securities transactions shall be conducted in such manner as to avoid any actual or potential conflict of interest or any abuse of an individual’s position of trust and responsibility
- Each employee shall be prohibited from having more than one personal account
- The employees shall not take inappropriate advantage of their positions
- The employees shall be subject to monthly disclosure of securities holdings in their own accounts, including the details of all transaction records

Any employee not in compliance with the Code may be subject to disciplinary actions, including summary dismissal from the firm. A complete copy of the Advisor’s compliance manual, including the Code, will be provided to clients or prospective clients upon written request.

Item 12: Brokerage Practices

The Advisor will generally have the authority to appoint brokers on behalf of its clients. Once brokers are selected, allocation of transactions to brokers is at the Advisor’s discretion unless the clients instruct otherwise. In general, any and all brokerage allocations will be subject to the principles of best execution and the other factors described below, as well as any restrictions imposed by the applicable law:

- Amount of commission
- Quality of execution
- Reputation
- Experience and financial stability
- Quality of service
- Research and analytic services
- Clearing and settlement capabilities

The commissions the client will pay to such broker will not necessarily represent the lowest commission rates available, but will reflect the Advisor’s evaluation of the factors described above, including research and other brokerage related services supplied by such brokers and which benefit the client, either alone or together with the other clients of the Advisor. In each case, the Advisor will make a determination that the amount of any increased commission costs on account of such research or other services is reasonable relative to the value of services so provided.

The Advisor’s practices with regard to soft dollar benefits are intended to comply with applicable laws and regulations of Korea. These practices and regulations are generally consistent with Section 28(e) of the Securities Exchange Act of 1934, which provides a “safe harbor” to investment managers who use commission

dollars of their advisory accounts to obtain investment research, brokerage and other services that provide lawful and appropriate assistance to the managers in performing investment decision making responsibilities, provided that the amount of any increased commission costs on account of such research or other services is reasonable relative to the value of the services so provided. Any such arrangement will be confined to the products or services that qualify as “research and brokerage services” within the meaning of Section 28(e) and that meet the other requirements of that Section. Expenses paid through the use of these commission dollars would otherwise have been paid directly by clients. During the last year, the Advisor has used such commissions to compensate brokers for services in connection with research on current or potential client investments and for market data services.

No client will be entitled to investment priority over another client or other separately-managed accounts, but every client may not necessarily participate in every investment opportunity. The Advisor will endeavor to make all the investment allocations in a manner which it considers to be the most equitable to all managed entities and clients.

Item 13: Review of Accounts

Petra’s managing partners and compliance officer will review portfolio positions on at least a weekly basis. Positions that meet or exceed their price targets will be evaluated to determine if the position should be sold, and positions that have declined in value will be reviewed to establish if the investment thesis continues to hold, and if so, if position sizes should be increased. Reviews will also include the analysis of performance, portfolio value metrics, liquidity, concentration as well as qualitative factors such as sector and industry allocation and investment themes.

Clients will receive periodic, written communications, including but not limited to, account statements, monthly/quarterly/annual investor letters.

Item 14: Client Referrals and Other Compensation

Petra does not have any relationships applicable to this item.

Item 15: Custody

The Advisor does not have custody of clients’ assets that it manages. Each client’s assets are under custody of a qualified custodian which the client chooses. The qualified custodians send periodic account statements directly to clients. The Advisor urges clients to carefully review such statements and compare such official custodial records to the account statements that the Advisor provides to them. The Advisor’s statements may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities.

Item 16: Investment Discretion

For those clients for which the Advisor manages assets on a discretionary basis, Petra usually receives discretionary authority from the clients at the outset of the investment management/advisory relationship. The discretionary authority is granted through the relevant investment management agreement, investment advisory or similar agreement. In all cases, all such discretion is to be exercised in a manner consistent with the stated investment objective, guidelines and restrictions as set out in each investment advisory/investment management agreement with each account.

Item 17: Voting Client Securities

The Advisor generally does not vote proxies on behalf of its clients although it makes recommendations to clients voting a proxy, so that the proxy will be exercised in the best interest of the respective client. Clients can also direct the vote in a particular solicitation by sending the Advisor a written direction via email or fax. The

Advisor maintains these written policies and procedures as to the handling, research, voting and recording proxies.

Proxy recommendations are solely in the interests of the firm's clients. In all cases each proxy and proposal will be considered based on the relevant facts and circumstances on a case-by-case basis. The Advisor's proxy voting "litmus test" will always be what it views as most likely to maximize long-term shareholder value. The firm believes that well-governed companies are better positioned to manage the risks and challenges inherent in business and to capture opportunities that help deliver sustainable growth and returns for its clients. As such, the firm's general policy is to vote in ways that improve the quality of corporate governance for portfolio companies in which the Advisor invests.

Item 18: Financial Information

Petra has no information applicable to this item. Petra has not been the subject of a bankruptcy petition and has no financial condition to disclose that is reasonably likely to impair the Advisor's ability to meet its contractual commitments to its clients.