

# Moto Capital Group Inc.

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This Brochure provides information about the qualifications and business practices of Moto Capital Group Inc. (“Moto” or the “Firm”). If you have any questions about the contents of this Brochure, please contact us at 305-760-4155 or [marcos.lima@motocg.com](mailto:marcos.lima@motocg.com). 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.

Moto is a registered investment adviser with the SEC. Registration of an Investment Adviser does not imply any level of skill or training.

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

## **Item 2 – Material Changes**

This is Moto’s initial filing of Form ADV Part 2A.

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## **Item 4 – Advisory Business**

### **A. Description of the Advisory Firm**

Moto Capital Group Inc. (“Moto” or the “Firm”) is a Florida corporation formed on July 11, 2014. Moto Capital Group Holding Ltd., a Cayman Islands company, wholly owns Moto. Guilherme Federico serves as the Firm’s Chief Executive Officer and Chief Investment Officer.

### **B. Types of Advisory Services**

Moto provides investment advice and management services to private investment funds through a master-feeder structure. A Delaware limited partnership (the “Onshore Fund”) and a non-U.S. company (the “Offshore Fund”) invest substantially all of their assets (other than short-term funds pending subscriptions, withdrawals and the payment of expenses) into a Cayman Islands exempted company (the “Master Fund”, and together with the Onshore Fund and Offshore Fund, the “Funds”). An affiliate of Moto serves as the general partner of the Onshore Fund. Moto may also decide in the future to sponsor or manage additional private investment funds or other clients (collectively with the Funds, the “Clients”).

Pursuant to the Funds’ offering memoranda, limited partnership agreement, memorandum & articles of association, and subscription documents (the “Governing Documents”), the Firm seeks to generate consistent long-term appreciation through active trading and investment in global markets. The Firm will seek to achieve the investment objective by employing a multi-strategy investment approach which uses primarily a combination of equities, fixed income and foreign exchange instruments. In general, the Funds have flexibility as to the instruments and markets in which it may invest and the investment techniques it may use in relation to the investment strategy, including the practices of short selling, borrowing & leverage and other investment techniques. The Funds are not tied to a benchmark nor are they set up to outperform any kind of peer group

The Funds offer limited partnership interests and shares, as applicable (“Interests”), to certain qualified Investors as described in response to Item 7, below (such investors are referred to herein as “Investors”).

### **C. Client Tailored Services and Client Imposed Restrictions**

Advisory services are tailored to achieve each Fund’s investment objectives. Moto has the authority to select which and how many securities to invest in and determine exit strategies without consultation with a Fund or the Investors.

### **D. Wrap Fee Programs**

Moto does not participate in wrap-fee programs.

E. Amounts Under Management

As of December 31, 2017, Moto manages approximately \$228 million in assets on a discretionary basis. Moto does not manage assets on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

A. Fee Schedule

The compensation payable to Moto is negotiable and varies among its Clients.

1. Management Fee

Moto typically receives a monthly asset-based management fee calculated as a percentage of the assets under management and paid on a monthly basis in arrears. The annual management fee is generally 0.84% of the assets under management, and is subject to a minimum monthly fee as described in the Governing Documents. Investors should consult the appropriate Fund's Governing Documents for information regarding the management fee applicable to an investment.

2. Performance allocation

Moto generally receives a performance allocation equal to 25% of the net income allocated to each Investor for the year, subject to a hurdle and a high water mark, as described in the Fund's Governing Documents.

The performance allocation, when assessed, will only be charged to accounts of those US Investors who are "qualified clients" as defined in Rule 205-3 of the Investment Advisers Act of 1940, as amended ("Advisers Act"). The performance allocation is also charged to the account of non-US investors. Moto may change or waive the performance allocation in its sole discretion.

The performance allocation may be shared by Moto's management team.

3. Fee Comparison

Client expenses, including the management fee and any performance-based fees, may constitute a higher percentage of average net assets than could be found in other investment programs.

B. Payment of Fees

The management fees, performance allocation, and expenses are generally deducted from Client assets. Management fees, which are paid in arrears, are deducted every month.

C. Third-Party Fees and other Fund Expenses

Expenses borne by the Funds are described in detail in the applicable Governing Documents. Such fees and expenses include, but are not limited to: fees and expenses of the fund administrator; accounting, auditing and tax preparation expenses; expenses of agents of the Fund; taxes and governmental fees; expenses relating to transfers and redemptions of shares

(although, as determined by the Board of Directors or General partner, as applicable, in its sole discretion, the Fund may require the transferor of Interests to pay the expenses relating to the transfer); fees and out-of-pocket expenses of any service company retained to provide accounting and bookkeeping services to the Funds; Directors' fees and expenses, including but not limited to meals, hotels and transportation, provided such fees and expenses are incurred while the directors are performing its functions as the Funds' Directors (if applicable); expenses relating to the maintenance of the Funds' registered offices; fees or commissions of any futures commission merchant, brokerage commissions, expenses relating to short sales, clearing and settlement charges, custodial fees and expenses, insurance premiums; costs incurred in connection with any claim, litigation (including settlement costs), arbitration, mediation, government investigation or dispute in connection with the business of the Funds and the amount of any judgment or settlement paid in connection therewith, or the enforcement of the Fund's rights against any person; costs and expenses for indemnification or contribution payable by the Funds to any person (including, without limitation, pursuant to the indemnification obligations described herein); and all costs and expenses incurred as a result of the dissolution, winding up and termination of the Fund. The Funds also bear their organizational expenses and the initial and ongoing expenses incurred in connection with the Funds' offer and sale of Interests, including, without limitation, printing costs, marketing costs and legal fees. The organizational expenses and the initial offering costs of each of the Funds are not expected to exceed US\$125,000.00 in the aggregate. Such expenses and initial offering costs will be amortized over the Funds' first 60 months of operations, or such other period as the Funds may determine.

Item 12 further describes the factors that Moto considers in selecting or recommending broker-dealers for Client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

**The foregoing represents Moto's basic compensation arrangements. The management fees and incentive allocation described above are structured to comply with Rule 205-3 under the Investment Advisers Act of 1940, if applicable. Fees and other compensation are negotiable in certain circumstances and arrangements with any particular Investor may vary. Although the Firm believes its fees are competitive, lower fees for comparable services may be available from other investment advisers.**

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

As discussed in Item 5.A., Moto generally receives a performance allocation equal to a percentage of the net income allocated to each Investor for the year.

Differences in Moto's compensation arrangements with its Clients, particularly if some Clients were to pay a higher management fee and/or performance allocation, could create incentives for Moto to manage Client portfolios so as to favor those portfolios of Clients paying higher management and/or performance allocation. Notwithstanding these conflicts,

Moto allocates transactions and opportunities among the various Clients it manages in a manner it believes to be as equitable as possible, considering each Client's objectives, programs, limitations and capital available for investment, but even Clients with similar objectives will often have different investment portfolios.

The performance allocation, when assessed, may provide a possible incentive for Moto to make riskier or more speculative investments on behalf of a Client than it might make otherwise. Notwithstanding this potential incentive, Moto will evaluate investments in a manner that it considers to be in the best interest of its Clients, given those Clients' investment objectives, investment strategies, suitability of the investment, and risk profile.

### **Item 7 – Types of Clients**

Moto provides investment advisory services to the Funds. Moto may in the future provide services to additional or different types of Clients.

Moto intends to restrict the number of Investors in the Fund and will offer Interests only through non-public transactions in order to maintain their exclusion from "investment company" status under the Investment Company Act of 1940, as amended (the "Investment Company Act").

Each US Investor generally must be an "accredited investor" (as defined in Regulation D under the Securities Act of 1933), a "qualified purchaser" (as defined in Section 2(a)(51) of the Investment Company Act of 1940, and must meet other criteria as specified in the Governing Documents. Prospective Investors in the Fund must meet eligibility criteria, and are subject to certain withdrawal requirements and limitations. Prospective Investors are encouraged to thoroughly review the Fund's Governing Documents, which set forth all of the terms in detail.

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

#### **A. Methods of Analysis**

Moto's primary method of analysis is fundamental analysis using financial newspapers and magazines; inspection of corporate activities; research materials prepared by others; corporate rating services; annual reports, prospectuses, filings with the SEC; and company press releases. The Firm's investment decisions do not adhere rigidly to any particular investment formula or system, but rather rely on the knowledge and judgment of the investment professionals.

#### **B. Investment Strategies**

The Firm seeks to generate consistent long-term appreciation through active trading and investment in global markets. The Firm will seek to achieve the investment objective by

employing a multi-strategy investment approach which uses primarily a combination of equities, fixed income and foreign exchange instruments. In general, the Funds have flexibility as to the instruments and markets in which they may invest and the investment techniques they may use in relation to the investment strategy, including the practices of short selling, borrowing & leverage and other investment techniques. The Funds are not tied to a benchmark nor are they set up to outperform any kind of peer group.

C. Risks of Investments and Strategies Utilized

**Investing in securities involves risk of loss that Clients and Investors should be prepared to bear. The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment with Moto.** Prospective Investors should read the entire Brochure, including the potential conflicts of interest described in Item 11 as well as the relevant Fund's Governing Documents, or other materials that may be provided by Moto and consult with their own advisers before deciding to invest.

**General Investment and Market Risks.** The success of Clients' activities may be affected by general economic and market conditions, the participation of other investors in the financial markets and other factors, including interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and national and international political circumstances. Investments in commodities companies may be sensitive to market movements as well as trends in the overall economy. Governments from time to time intervene, directly and by regulation, in certain markets (particularly those in currencies and interests rates), thereby disrupting strategies. All of the foregoing factors may affect the level and volatility of securities prices over short or even extended periods of time and the liquidity of the Clients' investments. Volatility or illiquidity could impair the Clients' profitability or result in losses.

**Portfolio Management Risk; Speculative Investment Program.** The Clients' investment program should be considered speculative. Clients are subject to the risk that the particular investments and types of investments held will underperform other investments and types of investments and may decline in value. The strategy that Moto uses may fail to produce the intended results.

**Limited Liquidity.** Clients may invest in investments that will be illiquid, either because they are privately purchased and subject to transfer restrictions or because they are thinly traded, and such investments may represent a substantial percentage of the Clients' assets from time to time. Clients may not be able to liquidate those investments if the need should arise, and its ability to realize gains, or to avoid losses in periods of rapid market activity, may therefore be affected. In addition, the value assigned to such securities for purposes of determining net asset value, net profit and net losses may differ substantially from the value Clients are ultimately able to realize.

**Concentration of Investments.** At times Clients may hold a relatively small number of investments, securities, commodities or derivative instrument positions, each representing a relatively large portion of a Client's capital. Losses incurred in those positions could have a material adverse effect on the Clients' overall financial condition.

**Frequent Trading and Turnover.** It is expected that Clients will make frequent trades in securities and other investments. Frequent trades typically result in high transaction costs. In addition, Clients may invest on the basis of short-term market considerations. The turnover rate within the Client may be significant, potentially involving substantial brokerage commissions and fees. As a result, it is anticipated that a significant portion of the Client's income and gains, if any, may be derived from ordinary income and short-term capital gains.

**Investments in Derivative Instruments; Options.** Clients may make investments in derivative instruments, including, without limitation, purchasing and selling (i.e., "writing") options on equity securities, equity indices or other securities or indices. It is possible that some derivative instruments may not be traded on an exchange or subject to government regulation. The customized nature of such instruments makes it difficult to predict how the prices of the instruments will change during periods of unusual market volatility or illiquidity.

To the extent that a derivative instrument or practice is not used as a hedge, the risks borne by Clients could be exacerbated. Gains or losses from such speculative positions in a derivative may be much greater than the derivative's original cost. Derivative instruments also carry the risk of failure to perform by the counterparty to the transaction.

**Call Options and Put Options.** Clients may engage in the sale and purchase of call and put 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 call option expires out of the money, and gives up the opportunity for gain on the underlying security above the exercise price of the option. 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 sum of the sales price at which the seller establishes the short position in the underlying security and the premium received in respect of the put option sold by the seller, and gives up the opportunity for gain on the underlying security below the exercise price of the put option. If the seller of the call option or put option owns a call option or put option, as applicable, covering an equivalent amount of securities with an exercise price, in the case of a call option, equal to or less than or, in the case of a put option, equal to or greater than the exercise price of the call or 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 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 seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security to zero. The buyer of a call option or

put option assumes the risk of losing its entire investment in the option. If the buyer of the call option sells short the underlying security, the loss on the call option 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). If the buyer of the put option holds the underlying security, the loss on the put option will be offset in whole or in part by any gain on the underlying security.

**Swap Agreements.** Clients 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, instruments or market factors. While the Client generally expects to focus its investment in swap agreements on equity swaps in order to increase or decrease the Client's exposure to a particular stock, group of stocks or an index of stocks, depending on their structure, swap agreements may increase or decrease the Client's exposure to other factors such as long-term or short-term interest rates (in the United States or abroad), non-U.S. currency values, corporate borrowing rates and inflation rates. Swap agreements can take many different forms and are known by a variety of names. Clients are not limited to any particular form of swap agreement. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Client's portfolio. The most significant factor in the performance of swap agreements is the change in the individual equity values, specific interest rate, currency or other factors that determine the amounts of payments due to and from the Client. If a swap agreement calls for payments by the Client, the Client 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 Client.

**Forward Trading.** Clients may engage in 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 Client 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 the Firm would otherwise recommend, to the possible detriment of the Client. Market illiquidity or disruption could result in major losses to the Client.

**Short Sales.** Short selling involves selling securities that may or may not be owned by the Clients and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Because the borrowed securities must be

replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities can result in a loss. Theoretically, the potential loss on the securities sold short is unlimited as there is no ceiling on how far the price of the security may rise.

**High Yield and Preferred Securities.** Clients may invest in “high yield” bonds and preferred securities that are rated in the lower rating categories by various credit rating agencies or, more commonly, comparable non-rated securities. Securities in the lower-rated categories and comparable non-rated securities are subject to greater risk of loss of principal and interest than higher-rated and comparable non-rated securities, and are generally considered to be predominantly speculative with respect to the issuer’s capacity to pay interest or dividends and repay principal. The market for lower-rated and comparable non-rated securities is thinner, often less liquid, and less active than that for higher-rated or comparable securities, which can adversely affect the prices at which these securities can be sold and may even make it impractical or impossible to sell such securities.

**Margin.** Clients will be required to deposit margin in connection with trading and investment activities. This will result in certain additional risks such as being subject to a “margin call”, pursuant to which the Clients must either deposit additional funds or suffer mandatory liquidation of the pledged securities and the investment position to compensate for the decline in value or increased margin requirements. In the event of a sudden precipitous drop in the value of its assets or increase in margin requirements, the Clients might not have sufficient assets to post as margin or be able to liquidate assets quickly enough to pay off its margin debts or avoid liquidation of positions.

**Futures Contracts.** Futures contracts are commitments to make or take future delivery of various commodities, currencies or financial instruments at a specified time and place. These commitments can be discharged by making or taking delivery of an approved grade of commodity, by cash settlement or making an offsetting sale or purchase of an equivalent futures contract on the same (or a linked) exchange prior to the designated date of delivery. When a futures contract is purchased or sold an initial margin is paid to the broker, based on the face value of the contract. Subsequent fluctuations in the value of the contract will result in either calls for payments of additional margin, known as variation margin, by the contract holder or the receipt by the contract holder of surplus margin and/or unrealized profit.

**Risks of Futures Activities.** Trading in futures is highly speculative and may entail risks that are greater than investing in securities. Clients’ futures and options activities may include futures and options traded in non-U.S. markets. The risks of these activities may be greater than those of trading in futures and options on U.S. exchanges.

**Warrants.** The Client may purchase or sell warrants. The risks of investing in warrants vary depending on the kind of investment, but include the risks of unlimited potential losses, the surrender of potential for capital appreciation, increased transaction costs, inactive markets, and the risk that if a warrant is not sold or exercised prior to its expiration date, it becomes valueless.

**Fixed Income Securities.** The Client 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 Client invests 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 creditworthiness, 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 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 the Client is called for redemption, the Client 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 the Client's ability to achieve its investment objective.

**Money Market and Other Liquid Instruments.** The Client may invest, for defensive purposes or otherwise, some or all of its assets in fixed-income securities, money market instruments, and money market mutual funds, or hold cash or cash equivalents in such amounts as the Client deems appropriate under the circumstances. Money market instruments are short-term fixed-income obligations, which generally have remaining maturities of one year or less, and may include U.S. government securities, commercial paper, certificates of deposit, bankers' acceptances issued by domestic branches of U.S. banks that are members of the Federal Deposit Insurance Corporation, and repurchase agreements. The Client may be prevented from achieving its objective during any period in which the Client's assets are not substantially invested in accordance with its principal investment strategy.

**Hedging and Risk Management Transactions.** There is no restriction on the amount of the Clients' assets that may be invested in hedging or risk management techniques. Such techniques may not be possible or effective in limiting potential risks or losses.

**Exchange Traded Funds.** Exchange-traded funds ("ETFs") are a type of index fund bought and sold on a securities exchange. The risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in it being more volatile and ETFs have management fees that increase their costs. ETFs are also subject to other risks, including: (i) the risk that their prices may not correlate perfectly with changes in the underlying index; and (ii) the risk of possible trading halts due to market conditions or other reasons that, in the view of the exchange upon which an ETF trades, would make trading in the ETF inadvisable.

**Currency Risks.** Because foreign securities often are purchased with and payable in currencies of foreign countries, the value of these assets as measured in U.S. dollars may be affected favorably or unfavorably by the changes in currency rates and exchange control regulations. Fluctuations in the exchange rates between the U.S. dollar and foreign currencies may negatively affect an investment. Adverse changes in exchange rates may erode or reverse any gains produced by foreign currency-denominated investments and may widen any losses. The combination of currency risk and market risk tends to make securities traded in foreign markets more volatile than securities traded exclusively in the U.S.

**General Non-U.S. Investment Risks.** Clients may invest in non-U.S. markets, including emerging markets. Such markets may be subject to regulation which may offer different or diminished investor protection compared to more highly regulated markets. None of the regulations of the SEC, CFTC, or any other U.S. governmental agency apply to non-U.S. markets. Non-U.S. markets may be volatile, illiquid and susceptible to disruptions due to many factors, including the lack of regulated exchanges or clearing corporations. There may be less governmental supervision and regulation of markets and participants in non-U.S. markets, including a lack of specific standards or regulatory supervision of trade pricing and other trading activities. Different accounting, reporting and disclosure requirements may also apply. It may also be difficult or costly to obtain legal judgments, enforce laws or regulations or compel counterparties to settle a transaction in these markets. The domestic regulatory authorities of the Clients or Investors may be unable to compel the enforcement of the rules of regulatory authorities or markets in other jurisdictions where transactions have been effected. Foreign brokerage commissions and other fees are also generally higher than in the United States. The laws of some foreign countries may limit the Clients' ability to invest in securities of certain issuers located in these foreign countries. There also are special tax considerations that apply to securities of foreign issuers and securities principally traded overseas.

Other risks pertaining to investments in non-U.S. markets not typically associated with U.S. markets, include, but are not limited to, those relating to (i) currency exchange rate fluctuations and control regulations as well as associated conversion costs; (ii) economic and

political risks, including the risk of war, substantial governmental involvement in or regulation of the economy, restrictions on foreign investment and repatriation of capital and the possibility of expropriation of assets or confiscatory taxation; and (iii) the imposition of foreign withholding or other taxes on investments.

**Competitive Markets.** The securities and commodities markets in which Clients will trade are extremely competitive. In pursuing its trading methods and strategies, Clients will compete with securities and commodities firms, including many of the large investment advisory and private investment firms as well as institutional investors. In relative terms, Clients will have modest capital and may have difficulty competing in markets in which its competitors have substantially greater financial and research resources.

**Credit Risk.** In addition to the risk of default or insolvency of counterparties with whom Clients effect trades, the Clients are subject to the further risk of the insolvency, default, delay or suspension of payments by the entity issuing the securities or other instruments purchased by the Clients, including, without limitation, non-U.S. governments.

**Leverage.** While leverage presents opportunities for increasing the Clients total return, it has the effect of potentially increasing losses as well. Accordingly, any event that adversely affects the value of an investment by the Clients would be magnified to the extent the Clients are leveraged. The cumulative effect of the use of leverage by the Clients in a market that moves adversely to the Clients' investments could result in a substantial loss to the Clients that would be greater than if the Clients were not leveraged.

**Volatility of Commodity Interest Prices.** Price movements for commodity interests are influenced by, among other things, changing supply and demand relationships, weather, agricultural, trade, fiscal, monetary, and exchange control programs and policies of governments, political and economic events and policies, changes in national and international interest rates and rates of inflation, currency devaluations and revaluations, and emotions of the marketplace. Clients trade in these markets on a speculative basis.

**Speculative Position Limits.** The U.S. Commodities Futures Trading Commission ("CFTC") as well as many commodities exchanges have established limits referred to as "speculative position limits" on the maximum net long or net short speculative positions that any person may hold or control in any particular futures or options contracts traded on such commodities exchanges. All open positions in accounts managed or controlled, directly or indirectly, by Moto and any person or persons who are acting with Moto pursuant to an express or implied agreement or understanding, will be aggregated for the purpose of determining commodity position limits (as determined by the CFTC and various commodity exchanges). Moto could be required to liquidate positions held by the Clients in order to comply with such limits, with the result that (i) the Clients may be unable to enter into or hold certain positions or (ii) Moto's trading decisions for the Clients may have to be modified from time to time avoid exceeding applicable position limits.

**Emerging Markets.** The risks of foreign investments described above apply to an even greater extent to investments in emerging markets. The securities markets of emerging countries are generally smaller, less developed, less liquid and more volatile than the securities markets of the United States and developed foreign markets. Disclosure and regulatory standards in many respects are less stringent than in the United States and developed foreign markets. There also may be a lower level of monitoring and regulation of securities markets in emerging market countries and the activities of investors in such markets and enforcement of existing regulations has been extremely limited.

**Counterparty and Settlement Risk.** Clients may enter into over-the-counter derivative contracts or transactions (i.e., transactions in options or other derivatives that are not cleared through the facilities of an exchange or clearing organization such as the Options Clearing Corporation). These may include “swaps,” contracts for differences and specially-tailored options, and instruments or interests underlying them that may include securities, securities indices, interest rates, commodities and commodities indices. If it does so, it may be exposed to the risk of default by its counterparty or to settlement difficulties. This risk may be materially greater than default or settlement risks involved in standardized and exchange-traded transactions.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. Moto and its management personnel have no reportable disciplinary events to disclose.

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

### **A. Registration as a Broker-Dealer or Broker-Dealer Representative**

Neither Moto nor its management persons are registered as a broker-dealer or broker-dealer representative.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Moto Capital Group Inc. is applying for registration with the CFTC as a Commodity Pool Operator and a member of the National Futures Association (“NFA”). Information regarding this status is available on the NFA's website at: <http://www.nfa.futures.org>.

### **C. Relationships Material to this Advisory Business and Possible Conflicts of Interest**

There are no other relationships or arrangements that are material to this advisory business.

D. Selection of Other Advisors or Managers

Moto does not utilize or select other advisors or third-party managers. All assets are managed by Moto.

**Item 11 – Code of Ethics Participation or Interest in Client Transactions and Personal Trading**

A. Code of Ethics

Moto has adopted a Code of Ethics (the “Code”) pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended. The Code governs the activities of each member, officer, director and employee of Moto (collectively, “Employees”). Moto holds its Employees to a high standard of integrity and business practices that reflects its fiduciary duty to the Clients. In serving its Clients, Moto strives to avoid conflicts of interest or the appearance of conflicts of interest in connection with the personal trading activities of its Employees and Client securities transactions. When persons covered by the Code engage in personal securities transactions, they must adhere to the following general principles as well as to the Code’s specific provisions: (a) at all times the interests of Clients must be paramount; (b) personal transactions must be conducted consistent with the Code in a manner that avoids any actual or potential conflict of interest; and (c) no inappropriate advantage should be taken of any position of trust and responsibility. Employees covered by the Code have certain reporting obligations of their personal securities transactions. Each Employee is provided with a copy of the Code and must annually certify that they have received it and have complied with its provisions. In addition, any Employee who becomes aware of any potential violation of the Code is obligated to report the potential violation to the Chief Compliance Officer.

Clients or prospective clients may request a copy of the Firm’s Code of Ethics by contacting Moto at the address on the cover page of this Brochure.

B. Recommendations Involving Material Financial Interests

Moto may recommend to Clients investment products in which Moto has a material financial interest, or may buy or sell for itself securities that Moto also recommends to Clients. This presents a potential conflict of interest because it may create a financial incentive for Moto to recommend certain investments to Clients. To mitigate this risk, Moto requires that all employees sign and adhere to its Code of Ethics. The Chief Compliance Officer reviews and documents any transactions that could be construed as conflicts of interest.

C. Investing Personal Money in the Same Securities as Clients

Moto, its Employees and/or the related persons may personally buy or sell the same instruments that Moto buys or sells for Clients, and it or they may own securities, or options on securities, of issuers whose securities are subsequently bought for Clients because of Moto’s recommendations regarding a particular security. This presents a potential conflict of

interest because it may create a financial incentive for Moto to recommend certain investments to Clients. Moto's policy as to such transactions is that neither Moto nor any of its Employees or related persons are to benefit from price movements that may be caused by transactions for Clients. Further, Moto addresses this conflict by requiring Employees to sign and adhere to Moto's Code of Ethics and to report personal securities holdings and transactions to Moto. The Chief Compliance Officer conducts reviews of personal securities holdings and transactions.

D. Trading Securities At/Around the Same Time as Clients' Securities

As discussed above, from time to time, Moto, its Employees, or related persons of Moto may buy or sell securities for themselves that Moto also recommends to the Client. Moto will always document any transactions that could be construed as conflicts of interest and will always transact Client business before the business of its Employees and/or related persons when similar securities are being bought or sold.

E. Concentration of Ownership

One family currently maintains an interest in the Master Fund, which represents a majority of the Fund's assets, and indirectly owns 100% of the Firm. The interests might influence investment decisions in a way that would not be expected in a fund with widely diversified ownership. Further, the investment objectives and risk tolerance of the family may depart from those of the other Investors, which creates a potential for harm to the other Investors.

## **Item 12 – Brokerage Practices**

A. Factors Used to Select or Recommending Broker-Dealers

Moto will always have discretion as to the placement of brokerage (and accordingly, the commission rates paid). In selecting brokers to effect portfolio transactions, Moto considers such factors as price, quality of execution, expertise in particular markets, the ability of the brokers to effect the transactions, the brokers' facilities, reliability, reputation, experience, financial responsibility in particular markets, familiarity both with investment practices generally and techniques employed by Clients and certain brokerage or research services ("soft dollar items") provided by such brokers and clearing and settlement capabilities, subject at all times to principles of best execution, in accordance with Moto's policies and procedures. In selecting broker/dealers to execute transactions, Moto need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Moto believes that the broker-dealers that it recommends provide competitive transaction and custody costs, helping Clients to eliminate or control costs and optimize the custodial structure to the benefit of account holders. When possible, Moto seeks to pre-negotiate preferred terms for its Clients providing Clients with the benefits associated with the economy of scale and custodial knowledge of the Firm.

Certain brokers utilized by Moto may provide general assistance to Moto, including, but not limited to technical support, consulting services, and consulting services related to staffing

needs. In selecting a broker, Moto may consider the broker's general assistance and consulting services. To the extent Moto would otherwise be obligated to pay for such assistance, it has a conflict of interest in considering those services when selecting a broker.

#### 1. Research and Other Soft Dollar Benefits

Moto effects transactions with broker-dealers who provide research services (collectively, "soft-dollar items") to Moto that assist Moto in making investment and trading decisions on behalf of its Clients. The negotiated commissions paid to broker-dealers supplying soft-dollar items may not represent the lowest obtainable commission rates. In any such arrangement, the amount of the commission paid must be reasonable in relation to the value of the brokerage and soft-dollar items provided by the broker-dealer, viewed in terms of either the particular transaction or Moto's overall responsibilities with respect to its Clients. Moto intends to comply with the soft-dollar "safe harbor" afforded by Section 28(e) under the Securities Exchange Act of 1934.

When Moto uses Client brokerage commissions to obtain soft-dollar items, it receives a benefit because it does not have to produce or pay for such soft-dollar items. However, Moto believes that such soft dollar items provides Clients with benefits by supplementing the research and services otherwise available to Clients. Soft-dollar items, whether provided directly or indirectly, may be utilized for the benefit of Moto's and its affiliates' other accounts. Soft-dollar items are not limited to those Clients who may have generated a particular benefit although certain soft dollar allocations are connected to particular Clients. Soft dollar benefits are not proportionally allocated to any accounts that may generate different amounts of the soft dollar benefits. In addition, the research and other benefits resulting from a brokerage relationship benefit all Clients or Moto's operations as a whole. Moto may receive soft dollar credits based on principal, as well as agency, securities transactions with brokerage firms.

Clients may be charged a brokerage commission in excess of that which another broker might charge for effecting the same transaction if Moto determines in good faith that such commission is reasonable in relation to the value of the brokerage, research, other services and soft dollar relationships provided by that broker, viewed in terms of either the specific transaction or Moto's overall responsibilities to the portfolios over which Moto exercises investment authority. Moto has an incentive to select or recommend a broker-dealer based on its interest in receiving the soft-dollar items, rather than on the Client's interest in receiving most favorable execution. Moto periodically reviews the execution performance of its brokers to ensure that any potential conflicts of interests are resolved.

A broker from which Moto obtains soft dollar services generally establishes "credits" based on past transactional business (including markups and markdowns on principal transactions), which may be used to pay for specified expenses. In some cases, the process is less formal and a broker simply may suggest a level of future business that would fully compensate the broker for services or products it provides. Moto monitors the soft dollar services provided to ensure that appropriate transactions are executed with a soft dollar provider.

To address the conflicts the conflicts surrounding soft dollar arrangements, Moto has adopted written policies and procedures regarding trading, brokerage selection and soft dollar usage. Moto reviews soft dollar arrangements, budget, and brokerage allocations for soft dollar research services and products on a periodic and at least an annual basis.

## 2. Brokerage for Client Referrals

Moto does not consider, in selecting or recommending broker-dealers, Client referrals from a broker-dealer. Moto may receive referrals in the future and if it does it will appropriately amend this brochure.

## 3. Directed Brokerage

Moto does not direct brokerage. Securities transactions are executed by brokers selected by Moto in its discretion and without the consent of the Client. Moto may enter into directed brokerage arrangements in its discretion.

### B. Aggregation of Orders

Moto may (but is not required to) combine orders on behalf of one Client with orders for other Clients for which it or its principals have trading authority, or in which it or its principals have an economic interest. When it does, Moto will generally allocate the securities or proceeds arising out of those transactions (and the related transaction expenses) on an average price basis among the various participants. Moto believes combining orders in this way will, over time, be advantageous to all participants. However, the average price could be less advantageous to a Client than if that Client had been the only account effecting the transaction or had completed its transaction before the other participants. Because of Moto's relationship to the Clients it manages by virtue of its position as an investment manager, there may be circumstances in which transactions for those entities may not, under certain laws, regulations and internal policies, be combined with those of some of Moto's and its affiliates' other Clients. That may cause the Clients to obtain less advantageous execution than other accounts whose transactions are aggregated.

### C. Allocation of Investment Opportunities

Certain investment opportunities will be appropriate for two or more Clients. Generally, the Firm is responsible for the allocation of investment opportunities and orders among Clients and seeks to treat all Clients equitably. When a trade is appropriate for several Clients and consistent with their respective strategies, such trades may be allocated pro rata or in some other manner which the Firm determines is fair and equitable under the circumstances to all Clients. The Firm may determine that a trade will not be allocated pro rata for reasons that include, but are not limited to: (i) the transaction costs outweigh the benefit to a particular Client; (ii) the Client investment guidelines do not permit the trade and/or the Clients have different strategies, investment objectives, guideline restrictions or risk profiles; (iii) legal or regulatory reasons do not permit the Client to participate in the trade; (iv) a particular Client has more available capacity than other Clients (e.g., due to new capital contributions to the Client); (v) the Clients have differing exposure that may make additional exposure

more or less appropriate; (vi) the transaction involves illiquid securities; or (vii) the allocation is so small or the securities are of such limited availability that the trade cannot easily be broken up pro rata among Clients or the expense of doing so is too high to justify the allocation. Where less than the maximum desired amount of a particular security to be purchased is available at a favorable price, the securities purchased will be allocated among the Clients in an equitable manner as determined by the Firm.

D. Cross Transactions

Moto may (but is not obligated to) cause accounts that Moto manages to effect “cross” transactions (i.e., buy and sell securities from and to each other), subject to applicable law or regulation. Moto may do so, if Moto believes that the cross transaction will be beneficial to both parties. For example, this may be done in situations, including, but not limited to, when a Client reaches certain limits under its investment guidelines with respect to a particular sector, region or security due to appreciation; to account for inflows/outflows of capital to and from the Client; or when a Client is overexposed to a particular security and another Client may benefit from additional exposure to such security. Such transactions shall be effected for cash consideration, generally at the closing price of the particular security, but may be done at the current market price or at such other fair market value determined in accordance with the Firm’s valuation policy. In connection with any such transaction, the Firm and its affiliates will not receive brokerage commissions or transfer fees.

### **Item 13 – Review of Accounts**

A. Frequency and Nature of Periodic Review and Who Makes Those Reviews

Moto monitors the Funds on an ongoing basis to ensure consistency with the Fund’s strategy and performance objectives. Asset allocation, cash management, market prospects and individual issue prospects are considered. The reviews are conducted by the Firm’s investment professionals.

B. Factors That Will Trigger a Non-Periodic Review of Client Accounts

Reviews may take place more frequently if triggered by economic, market, or political conditions.

C. Content and Frequency of Regular Reports

Investors will generally receive unaudited reports of performance monthly and will receive audited year-end financial statements annually.

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

A. Economic Benefits Provided by Third Parties

Moto does not receive any economic benefit, directly or indirectly from any third party for advice rendered to the Client.

**B. Compensation to Non-Advisory Personnel for Client Referrals**

Currently, neither Moto nor its related persons directly or indirectly compensates any person who is not advisory personnel for Client referrals. If in the future Moto enters into such arrangements, this Brochure will be appropriately amended.

**Item 15 – Custody**

A rule under the Advisers Act provides that general partners and managing members, as applicable, of a pooled investment vehicle are considered to have “custody” of a fund’s assets, even though independent, qualified custodians actually hold those assets. That rule generally requires investment advisers to cause certain account statements detailing holdings and transactions to be sent to investors and imposes certain other obligations. However, advisers to investment funds like the Funds need not comply with those requirements if, among other things, the Funds provide Investors with audited financial statements by a specified time each year and those financial statements meet certain requirements. Moto satisfies those conditions and therefore is not subject to reporting and other obligations.

**Item 16 – Investment Discretion**

The Governing Documents generally authorize Moto to invest and trade the Clients’ assets in a broad range of investments, to be selected at Moto’s sole discretion, with no specific limitations as to type, amount, concentration, or leverage. Further, Moto may enter into any type of investment transaction and employ any investment methodology or strategy it deems appropriate.

Pursuant to the applicable Governing Documents, each Investor designates Moto as its attorney-in-fact to execute, certify, acknowledge, file, record and swear to all instruments, agreements and documents necessary or advisable to carrying out the Clients’ business and affairs, including without limitation execution of the Fund’s Governing Documents. An Investor’s execution of a Fund’s subscription agreement constitutes its execution of a Fund’s Governing Documents and the terms and conditions set forth therein.

**Item 17 – Voting Client Securities**

Moto exercises voting authority over Client proxies and has adopted proxy voting policies and procedures in accordance with Rule 206(4)-6 of the Investment Advisers Act of 1940, as amended. The policies require Moto to vote proxies received in a manner consistent with the best interests of the Client.

The policies also require Moto to vote proxies in a prudent and diligent manner intended to enhance the economic value of the assets of the Client. However, the policies permit Moto to abstain from voting proxies in the event that the Client’s economic interest in the matter

being voted upon is limited relative to the Client's overall portfolio or the impact of the Client's vote will not have an effect on its outcome or on the Client's economic interests.

Certain of Moto's proxy voting guidelines are summarized below:

- Moto generally votes for proposals that are a standard and necessary aspect of business operations that will not typically have a significant effect on the value of the Clients' investment, including: name changes, election of directors, ratification of auditors, maintaining current levels of directors' indemnification and liability, increase in authorized shares (common stock only) if there is no intention to significantly dilute shareholders' proportionate interest, employee stock purchase or ownership plans.
- Moto generally votes against proposals that attempt to limit shareholder democracy in a way that could restrict the ability of the shareholders to realize the value of their investment, including: increased indemnification protections for directors and officers, certain supermajority requirements, unequal voting rights, classified boards, cumulative voting, authorization of new securities if the intention appears to be to unduly dilute the shareholders' proportionate interest, changing the state of incorporation if the intention appears to disfavor the economic interest of shareholders.

Although many proxy proposals can be voted in accordance with Moto's proxy voting guidelines, some proposals will require special consideration, and Moto will make a decision on a case-by-case basis in these situations, including proposals that change the status of the corporation, its individual securities, or the ownership status of the securities.

Where a proxy proposal raises a material conflict between Moto's interests and the interests of the Clients, Moto will seek to resolve the conflict in the best interest of the Clients.

Moto will provide, upon request, a copy of those policies and procedures which determine its voting record on account proxy matters. Such a request may be made by contacting Moto at the address on the cover page of this Brochure.

## **Item 18 – Financial Information**

Moto has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of a bankruptcy petition.

### **A. Balance Sheet**

Moto does not require nor solicit prepayment of more than \$1200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this Brochure.

B. Financial Condition

Moto has discretionary authority over the Client's assets. At this time, neither Moto nor its management persons have any financial conditions that are likely to reasonably impair its ability to meet contractual commitments to Clients.

C. Bankruptcy Petitions in Previous Years

Moto has not been the subject of a bankruptcy petition in the last ten years.

**Item 19 – Requirements for State-Registered Advisers**

Not applicable.