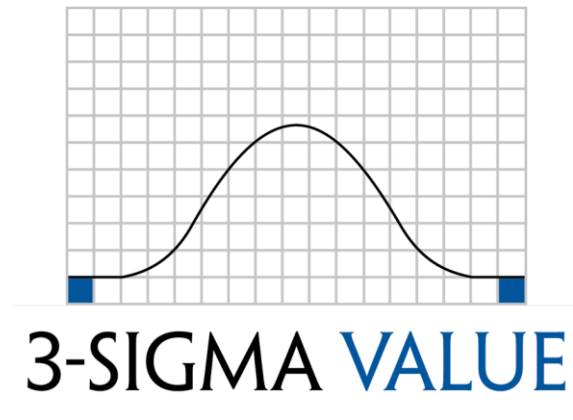


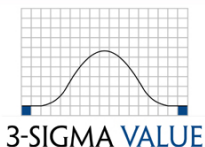
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## 2014 Review / 2015 Outlook

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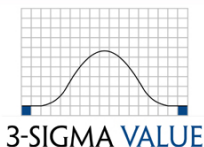
## 2014 In Review

For the year ended December 31, 2014, 3-Sigma Value, LP (the “Partnership”) had an estimated gain of 18.1% (net of management fee and expenses) with average gross exposure of 62.4% and net exposure of *negative* 47.5%.

3-Sigma Value, LP						
PERFORMANCE AND EXPOSURE STATISTICS						
	Monthly Performance		Average Fund Exposure			
	Gross <sup>1</sup>	Net <sup>2</sup>	Long	Short	Gross	Net
January	2.6%	2.6%	10.7%	61.8%	72.5%	-51.1%
February	-1.1%	-1.1%	9.4%	68.1%	77.5%	-58.8%
March	4.3%	4.3%	8.0%	74.5%	82.5%	-66.4%
April	4.4%	4.4%	8.5%	67.3%	75.8%	-58.8%
May	2.7%	2.7%	7.3%	59.2%	66.5%	-51.9%
June	-4.0%	-4.0%	6.9%	59.1%	66.0%	-52.2%
July	4.0%	2.2%	7.0%	56.2%	63.2%	-49.1%
August	0.8%	0.6%	5.7%	52.2%	57.9%	-46.5%
September	2.3%	1.8%	5.6%	45.9%	51.5%	-40.3%
October	-0.2%	-0.2%	5.1%	41.9%	47.1%	-36.8%
November	0.8%	1.9%	6.4%	39.2%	45.7%	-32.8%
December	0.4%	0.3%	8.0%	32.2%	40.2%	-24.2%
2014	18.1%	14.4%	7.4%	54.8%	62.2%	-47.4%
Cumulative <sup>3</sup>	86.8%	69.4%				
Annualized <sup>3</sup>	16.9%	14.1%				

1 Net of management fee and expenses.  
 2 Net of incentive fee.  
 3 3-Sigma Value, LP, the Master Fund, was re-launched January 2011.

The Partnership’s portfolio, both long and short, focuses its investment efforts in three industries – Technology, Media & Telecom (“TMT”), Natural Resources, and Financials – chosen based on the experience of our investment professionals. In total, 3-Sigma Value, LP is invested long in 7 companies, and short 18 companies.



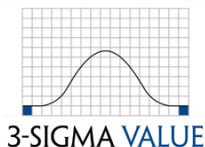
Our investment approach is global in scope, yet, at this time, North American equities constitute the vast majority of our gross exposure. We are market-cap agnostic.

## Portfolio Construction

As of December 31, 2014, the 3-Sigma Value portfolio had gross long exposure of 9.0% and gross short exposure of 34.4%, for net investment exposure of *negative* 25.4%. We typically seek overall market agnosticism in the construction of the portfolio as reflected in a target range of net exposure between *negative* 25% and *positive* 25%. However, as described in 3-Sigma Value’s *2013 Review / 2014 Outlook*, the portfolio is and remains **tactically short** because of the lack of securities that meet our total return and risk-reward criteria. Combine this with a wave of short candidates and a tactical decision is necessary – to fit the portfolio to a pre-conceived notion of risk as reflected in market exposure, or, adjust the exposure to the opportunity that is presented in 2015.

<b>Balance Sheet (% Of Equity) - 12/31/14</b>				
	<u>Long</u>	<u>Short</u>	<u>Gross</u>	<u>Net</u>
<b>By Industry</b>				
Technology	0.0%	-30.6%	30.6%	-30.6%
Natural Resources	6.6%	-1.1%	7.7%	5.5%
Financials	2.4%	-2.8%	5.2%	-0.3%
<b>Total</b>	<b>9.0%</b>	<b>-34.4%</b>	<b>43.5%</b>	<b>-25.4%</b>
<b>By Geography</b>				
North America	5.3%	-34.4%	39.7%	-29.2%
South America	0.0%	0.0%	0.0%	0.0%
EMEA	3.7%	0.0%	3.7%	3.7%
Asia	0.0%	0.0%	0.0%	0.0%
<b>Total</b>	<b>9.0%</b>	<b>-34.4%</b>	<b>43.5%</b>	<b>-25.4%</b>
<b>By Market Capitalization</b>				
Greater than \$1B	3.2%	-27.5%	30.7%	-24.4%
\$500M - \$1B	4.1%	0.0%	4.1%	4.1%
Less than \$500M	1.8%	-6.9%	8.7%	-5.1%
<b>Total</b>	<b>9.0%</b>	<b>-34.4%</b>	<b>43.5%</b>	<b>-25.4%</b>

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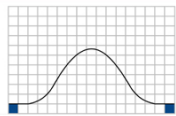


Over the course of 2014, the 3-Sigma Value portfolio became progressively more concentrated as 30 short positions at the start of the year became 18 by the end, and correspondingly, gross short exposure was cut from 63.4% to 34.4%. Much of this reduction is due to success. In the natural turnover of a successful portfolio, one whose entry and sizing of positions is based on a conservative algorithm, market exposure ebbs and flows. In 2015, we expect to increase exposure to the 18 short positions in the portfolio, and to add new ideas as well, such that gross short exposure reverts back to 50% or more of NAV. We apply a conservative algorithm to sizing positions, beginning with 25% to 33% of the target allocation – e.g. 1%, 2.5%, 5%, or 10% depending on risk as quantified by 3-Sigma Value’s proprietary scenario-based valuation analysis.

For 2015, the 3-Sigma Value portfolio is comprised of three idea buckets, each representing an incredible opportunity to generate alpha in an environment of low expected market returns.

- (1) **18 alpha-generating shorts** – as detailed in the next section of this report called **Winners & Losers**, nearly all of the profit generated by 3-Sigma Value in 2014 was on the short side of the equation. While agnostic to the direction of the overall market, we naturally tend to outperform in a volatile market and/or a bearish one. When the market shoots straight up, by definition, we are going to underperform, which is what happened in 2013. In contrast, 2014 was a year of divergence, and hopefully the beginning of a trend. All companies should not be over-valued simply because we are living in a zero interest rate policy (ZIRP) world. Comparative valuation will only take you so far. Ultimately, it is the absolutes that matter – how much cash was invested and how much cash is generated. Within every industry there are both winners and losers, alpha to be generated on both sides. Our short positions are not designed to hedge our long positions. Every position, long and short, is analyzed individually and must meet 3-Sigma Value’s requirements for total return and risk versus reward, and therefore every position, long and short, represents an exceptional investment opportunity on a standalone basis.
  
- (2) **9 deeply-undervalued banks** – as detailed in 3-Sigma Value’s *Bank Investing in 2015*, the banking industry is the sector of the market with the widest divergence in valuations and therefore represents one of the best opportunities to generate alpha. 3-Sigma Value’s analysis of banking institutions is based on 4 drivers of value that when amalgamated produces a comprehensive framework for identifying undervalued banks:

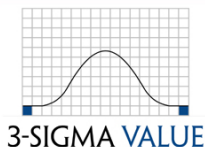
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3-SIGMA VALUE

1. Return on Assets (ROA) - Specifically, we require a minimum expected ROA of 0.90% for 2015. A bank that earns 0.90% (the minimum level) is worth at least 1.8x based on historical M&A data (using data from SNL going back to 1990).
  2. Efficiency Ratio – We invest in franchises that are tightly managed, as reflected in a below-average efficiency ratio. Efficiency ratio equals non-interest expense divided by (net interest income plus non-interest income). Ironically, a 100% efficiency ratio means a bank is not being efficient. The lower the ratio the better, with most banks striving for a sub-60% ratio.
  3. Management is always the predominant factor in any bank investment, or any investment in financial services for that matter. Financial services is a human capital business and the principal reason for the evergreen divergence in valuations.
  4. A catalyst to unlock value.
- (3) **4 deeply-undervalued energy/natural resource service providers** – the price of WTI/Brent oil cleaved in half during the second half of 2014, from \$108/\$115 per bbl over the summer to a five-year low of \$53/\$57 at the end of December, representing the most precipitous drop since the financial crisis when oil crashed from \$145/\$144 in the summer of 2008 to \$30/\$33 by year end. Many factors have contributed to the drop, including: (1) demand is weak because of weak global economic activity; (2) the U.S. has become the world’s largest oil producer (overtaking Saudi Arabia and Russia); and although the U.S. does not export crude oil, it is now importing less; and (3) OPEC has decided not to sacrifice market share in order to stabilize price. This final point is crucial. At a meeting in Vienna on November 27, 2014, OPEC (the Organisation of Petroleum Exporting Countries), which controls nearly 40% of the world market, failed to reach agreement on production curbs, sending the price down ~10% to \$66/\$72. Since then, OPEC and the producers of the world have been engaged in a global game of chicken. The end game is bankruptcy. Unless rational behavior interjects. Meanwhile, the entire oil supply chain is getting crushed as the threat of budget cutting becomes a quick reality.

As detailed in 3-Sigma Value’s *Energy Investing After the Price of Oil Drops – the Year is 2015*, the rapid drop in the price of oil has opened a window of opportunity for investors to find deeply-undervalued assets in the energy supply chain.

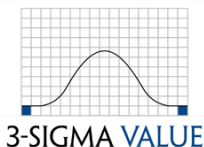


## Winners & Losers

10 positions in the 3-Sigma Value portfolio accounted for 100 basis points or more of profit in 2014, while only 4 positions contributed 100 basis points or more of losses.

Top Winners in 2014	
1 Short: Castlight Health (CSLT)	Profiled in 3-Sigma Value's 1Q 2014 Letter, <i>When the Levee Breaks</i> .
2 Short: ReachLocal (RLOC)	Profiled in 3-Sigma Value's 2Q 2012 Letter, <i>Where are the GlenGarry Leads?</i>
3 Short: Higher One Holdings (ONE)	Profiled in 3-Sigma Value's 2Q 2013 Letter, <i>The Hidden Fee Business Model</i> .
4 Short: Liquid Holdings (LIQD)	Profiled in <i>Pumping &amp; Dumping in the 21st Century or The Biggest Turd Ever Sold</i> .
5 Short: Cenevo (CVO)	Profiled in <i>The Last Man Standing Collection of Short Stories - Volume I</i> .
6 Short: Cumulus Media (CMLS)	Terminally over-leveraged radio broadcaster bet the ranch on building a new Country brand called NASH.
7 Short: MOL Global (MOLG)	Malaysian-based provider of online payment services is our vote for the worst IPO scam of 2014.
8 Short: Corinthian Colleges (COCO)	Boiler room for profit education (FPE) provider.
9 Short: Education Management (EDMC)	Terminally over-leveraged for profit education (FPE) provider.
10 Short: Bridgepoint Education (BPI)	Boiler room for profit education (FPE) provider.
Top Losers in 2014	
1 Short: DexMedia (DXM)	The 2013 merger of yellow page printers SuperMedia & Dex One is terminally over-leveraged.
2 Short: MakeMyTrip (MMYT)	Hybrid online/offline travel services provider in India was a top 10 winner in 2012.
3 Short: Verifone (PAY)	A top 10 winner in 2012, creative destruction in payments will obviate checkout lines and the plastic card.
4 Short: RealD (RLD)	This top 10 winner in 2013 rejected an absurd \$12 per share takeover bid from Starboard Value LP.

On the winning side of the equation is a new name and our favorite scam-IPO of 2014, **MOL Global (MOLG)**, a Malaysian-based provider of online payment services, and the archetype of fraudulent companies to have gone public in *The Great IPO Flood*, a phenomenon introduced in 3-Sigma Value's *2013 Review / 2014 Outlook*.



## The Great IPO Flood – Part 2

At the end of 2014, there were 70 start-up companies (still private) with valuations greater than one billion dollars, an unprecedented number that is twice as many as during the dot com bubble at its peak in the year 2000.

The correlation between private and public valuations is high; and even though the number of companies to go public in 2014 (273<sup>1</sup>) is less than the number in 2000 (406), when you take into account the private companies that would have surely gone public in 2000 but remain private in 2014 (35) and the number of spin-offs (37), then the amount of new public-market speculation is comparable.

Sadly, this IPO flood is worse. It's worse now than in the year 2000 because the dot com bubble was all about one industry – technology, and specifically the internet. Other sectors of the market such as natural resources, industrials, and consumer staples didn't participate at all. In contrast, technology is just one of four simultaneous bubbles inflating the IPO market today<sup>2</sup>, an unprecedented situation in my understanding of history.

The flood actually began in 2012 with implementation of the JOBS Act (Jumpstart Our Business Startups). The Act has three central provisions: (1) enables crowdfunding; (2) enables the general solicitation of investors via all forms of media; and (3) creates the “IPO on-ramp”, which enables “emerging growth companies<sup>3</sup>” to pursue a public listing with **less disclosure**.

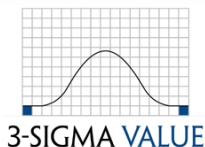
The carnival surrounding the Facebook IPO was a celebration of the JOBS Act as much a celebration of its own success. Efforts to weaken disclosure are efforts to enable fraud and in the wake of every legitimate technology company that has gone public since Facebook, I can show you two that are illegitimate. This ratio rivals that of the dot com bubble.

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<sup>1</sup> Up from 222 in 2013

<sup>2</sup> The other bubbles are in consumer growth (e.g. restaurant chains), biotechnology, and “Yield Cos” short for yield-oriented companies consisting of MLPs, BDCs, and M-REITs – as introduced in *2013 Review / 2014 Outlook*.

<sup>3</sup> An emerging growth company, as defined in the JOBS Act, is any public company whose initial public offering of common equity securities occurred after December 8, 2011 and whose annual gross revenue is less than \$1.0 billion.



## The IPO as Liquidation Event

Incorporated in the Cayman Islands in the year 2000, **MOL Global (MOLG)** is a Malaysian-based provider of online payment services mainly used for game credits – its website touts "annual payment volume of over USD300 million."

Specifically, MOLG sells 5 products<sup>4</sup>:

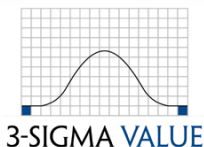
1. **MOL Points** is an Internet wallet with which you can purchase online game credits and other content and services without a credit card.
2. **MOL Reloads** is an application that facilitates electronic distribution of prepaid airtime through terminal-based infrastructure for MOLPoints and external prepaid service providers.
3. **MOL Pay** is a secured payment solution developed by MOL AccessPortal Berhad for MOL members. This system enables small enterprises such as online-shop blogs to securely transmit funds from the buyer to the seller via payment at online and physical channels.
4. **MMOG.asia** is an online games portal acquired in 2012 (acquired a company called MyCNX); it operates 20 massive multi-player online games, or MMOGs. These include Boomz (DDT), which was launched in 2009 and DivoSaga (Wartune), which was launched in 2011. MMOG.asia continually identifies new games for distribution on its portal. MOLG seeks to launch three to six new online games every year. MMOG.asia's licensed games are offered free-to-play and generate revenue from the sale of in-game virtual goods to game players. Virtual goods include avatars, weapons, equipment and other items used to enhance players' status in a game. MOLG licenses online games from game developers, which deliver the game titles for publication on the MMOG.asia portal. One of MMOG.asia's most successful products has been Boomz (DDT), which accounted for 91.1%, 74.9%, 49.1% and 33.8% of MMOG.asia's segment revenue in 2011, 2012, 2013 and the six months ended June 30, 2014, respectively.
5. **Friendster** was re-launched as a social gaming network in 2011, with 115 million registered users according to the company.

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<sup>4</sup> MOLG is the product of a series of acquisitions including AyoPay, Indonesia's "leading" payment service provider specializing in online game credit (3/13); Turkey's Game Sultan and PaytoGo (3/13); and in April 2013, MOL AccessPortal Sdn. Bhd. entered into a joint venture agreement with Vietnamese e-commerce group, PeaceSoft Solutions Corporation to acquire a 50% stake in NganLuong Joint Stock Company (NganLuong), PeaceSoft's online payments unit.



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On October 8, 2014, MOL Global (MOLG) went public at \$12.50 and dropped an insane 35% on its first day of trading to close at \$8.14 (11.3 million shares traded hands that first day). This miserable failure of an IPO was underwritten by Citigroup, Deutsche Bank, and UBS.

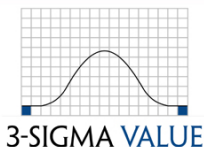
<b>MOLG Capitalization in US\$ as of 9/30/14</b>	
<b>Price at October 8, 2014 IPO</b>	<b>\$12.50</b>
<b>Price at end of 1st day</b>	<b>\$8.14</b>
<b>Price as of December 31, 2014</b>	<b>\$3.05</b>
FD Shares Outstanding	72.4
<b>Market Capitalization</b>	<b>220.8</b>
Debt	29.8
Minority Interests	3.2
Cash (includes \$29M of IPO proceeds)	18.4
<b>Enterprise Value (EV)</b>	<b>232.2</b>
EV / Revenue - 2014E	3.8x
EV / Revenue - 2015E	3.8x
EV / Revenue - 2016E	3.8x
EV / EBITDA - 2014E	23.2x
EV / EBITDA - 2015E	22.6x
EV / EBITDA - 2016E	20.0x
P/E - 2014E	26.9x
P/E - 2015E	107.7x
P/E - 2016E	68.2x

## Short Thesis

### **1. The IPO was a liquidation event for the 35-year old founder/CEO and his partners.**

The IPO raised \$168.75 million in gross proceeds. Of that only \$82.2 million went into the company (48.7% of proceeds). The rest went to selling shareholders (\$70,675,898) and bankers (\$10,125,000) and expenses (the rest).

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Moreover, according to MOLG's IPO prospectus, following is the use of proceeds for the \$82.2 million net to the company:

- a. \$27.7 million to repay (i) an aggregate of approximately \$6.5 million (MYR20.8 million) of interest-free advances from MOL Ventures, which were advanced in connection with the acquisitions of Game Sultan, PaytoGo, NganLuong, Rixty, Uniwiz and Zest; and (ii) the remaining outstanding amount under a revolving credit facility from MDV, which was \$21.2 million (MYR68.0 million) as of June 30, 2014 and which was incurred in connection with the expansion of MOLG's business in Malaysia, and incurs interest at the rate of 7.25% per annum and is due in December 2015;
- b. \$25.5 million in connection with increased beneficial ownership interests in subsidiaries, MOL Thailand, Game Sultan, PaytoGo and MyCNX;
- c. The balance (\$29 million) for general corporate purposes.

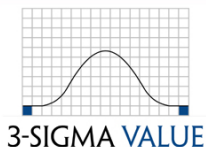
**In summary, out of \$168.75 million of gross proceeds from the IPO, only \$29 million remained in the company after paying everyone off.**

## **2. There are rampant conflicts of interest.**

MOL Global's major shareholder, Tan Sri Dato' Seri Vincent Tan, is unreliable and in cahoots with the CEO. All of the repayments made out of the IPO proceeds went to entities controlled or guaranteed by Vincent Tan. An entity controlled by Mr. Tan provides corporate secretarial services to MOL Global free of charge, and the company's principal executive offices in Kuala Lumpur are rented from an entity controlled by him.

Vincent Tan, and entities owned by him, and MOLG's Chief Executive Officer, Ganesh Kumar Bangah, have investments in businesses that compete directly with MOL Global. For example, Cyberventures Sdn. Bhd., or Cyberventures, which is owned 80% by Vincent Tan and 20% by MOLG's Chief Executive Officer, owns 51% of Sea Gamer Mall Sdn. Bhd., or Sea Gamer. Sea Gamer sells online game credits and secondary market items for online games, while MOL Global has a reseller arrangement with, and provides collection services for, Sea Gamer. In addition, MOL Ventures, in which Vincent Tan has a 75.5% effective equity interest, with an additional 10.0% equity interest held by his son, Rayvin Tan Yeong Sheik, and an 11.6% equity interest held by MOLG's Chief Executive Officer, owns less than 4% of GHL, which is a listed company that owns 100% of e-Pay Malaysia, which has an electronic distribution infrastructure

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similar to MOL Reloads and that distributes MOL Points. According to MOLG's prospectus, *"There can be no assurance that our major shareholder, and entities owned by him and our Chief Executive Officer, will not act, or cause us or other entities controlled by him to take action, in a manner that adversely impacts your interests as a holder of ADSs."*

Making matters worse to the point of absurdity, MOLG's #1 customer is 7-Eleven Malaysia, which is controlled by MOLG's major shareholder Vincent Tan. For the years ended December 31, 2011, 2012 and 2013 and the six months ended June 30, 2014, MOLG derived 55.8%, 37.5%, 23.8% and 23.1%, respectively, of its revenue from the distribution of products at 7-Eleven Malaysia's convenience stores, which represented 75.0%, 63.6%, 51.4% and 52.3%, respectively, of MOLG's revenue in Malaysia.

**In sum, MOLG's major shareholder is both a major customer and a major competitor.**

### **3. Customer concentration and conflicts of interest are a dangerous combination.**

In addition to the MOL Points customer concentration at 7-Eleven Malaysia, nearly all of MOL Reloads' \$10 million of revenue comes from its top five telecommunications service provider customers. According to MOLG's IPO prospectus, *"In response to increased volume in 2012, telecommunications service providers in Malaysia imposed reduced discounts and commissions on the MOL Reloads business. There can be no assurance that the company's revenue sharing arrangements will not be revised in a manner that is unfavorable."*

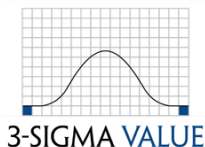
**In short, both of MOLG's major revenue streams – MOL Points and MOL Reloads – derive from extreme levels of customer concentration.**

### **4. Material weaknesses in internal controls foreshadow more problems.**

According to the IPO prospectus, *"Material weaknesses in internal controls have been identified. Our internal controls relating to financial reporting have not kept pace with the expansion of our business. Our financial reporting function and system of internal controls are less developed in certain respects than those of similar companies that operate in fewer or more developed markets and may not provide our management with as much or as accurate or timely information."*

**Again, this is a management team that can't be trusted.**

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## 5. Valuation is based on false premise.

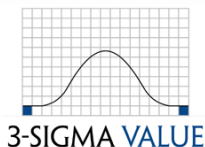
MOLG is a classic pump and dump that is valued as if it were a high growth technology company (7.1x revenue) when it is a flattish-growing, niche vendor likely to be abandoned by its entrepreneurial management team who have already liquidated a material portion of their ownership.

MOL Global (MOLG) - Base Case Operating Scenario 1					
Revenue breakdown (in US\$):	2011	2012	2013	2014	2015
MOL Points (1)	10.0	18.9	31.9	36.2	36.5
MOL Reloads (2)	10.3	10.1	10.8	10.4	10.4
MOL Pay (3)	0.2	0.8	2.9	7.0	7.0
MMOG.asia (4)	0.0	1.2	7.4	5.7	5.7
Other	0.2	0.2	0.4	1.5	1.3
Total Revenue	20.7	31.1	53.4	60.8	60.9

- (1) Revenue deceleration in 2014/2015 as active registered paying users have flat-lined ~1 million since 2013. 7-Eleven Malaysia, owned by MOLG's major shareholder, is MOL's major Points customer. Ergo, the growth of MOL Points has not been arms-length and therefore has no bearing on future growth.
- (2) The top five telecommunications service providers account for nearly all of MOL Reloads' revenue. There is no growth here.
- (3) Malaysian-based payment gateway sold into MOL Points customer base, namely 7-Eleven Malaysia and a few other local businesses.
- (4) Active paying users dropped in 2Q14 year-over-year. Flat is the best prediction available.

Since earnings are negligible, P/E is meaningless. EBITDA is flattish around \$10 million at the current (Base Case) size of the business. Despite not generating any free cash flow, the Company is not burning much either.

MOL Global Valuation - Base Case Operating Scenario 1	
Enterprise Value (10x flattish EBITDA)	99.9
Plus Net Cash	-14.6
Equity Value	85.3
per share	<b>\$1.18</b>
Implied Multiple of Revenue	1.6x



On December 1, 2014, the Company announced the resignation of Mr. Allan Wong, who joined the Company in August 2014 as the Group Chief Financial Officer, due to personal reasons. 9.4 million shares traded that day, driving MOLG down to a low of \$1.53 (closing low of \$1.69). 3-Sigma Value covered its short position that day at an average price of \$1.76. The next day, on 19.9 million shares traded, MOLG more than doubled to \$3.65.

MOLG is down 76% from its IPO price (from \$12.50 to \$3.05) – a fact that is irrelevant for the purpose of analyzing a distressed or fraudulent company. Wherever you get in, there is always 100% downside to zero.

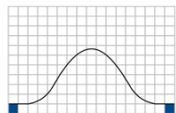
MOLG was one of 3-Sigma Value's Top 10 winners in 2014 – another irrelevant fact. More often than not, winners prove durable. It is the losers that must be identified early and cut short of their potential damage.

MOLG still has \$220.8 million of market capitalization left in a fraudulent franchise worth between \$85.3 million and zero, or close to it. We are market cap agnostic here at 3-Sigma Value, more concerned with trading liquidity, and therefore maintain a small, non-core short position and wait patiently for new information that causes us to change the assumptions underlying our analysis. With a target price of \$1.18 (and zero a strong possibility), we remain short MOLG and trade around the position to generate additional alpha.

## Final Thoughts

I am proud to announce the May 1, 2015 launch of Arbiter Capital, LP, (“Arbiter”) a fundamental long/short global equity hedge fund that utilizes the same value with a catalyst strategy employed by 3-Sigma Value, LP to generate superior absolute risk-adjusted returns on capital. Arbiter is managed by its Chief Executive Officer, Edward D. Kaplan, age 45. For the past 10 years, Ed has served as Chief Operating Officer of DCM Partners LP, a long/short equity hedge fund, and more recently Lantern Endowment Partners, LP an event-driven hedge fund specializing in various forms of risk arbitrage involving investing in global equity and fixed income securities. Ed received a B.A. from Yale College in 1991 and an M.B.A. from Columbia

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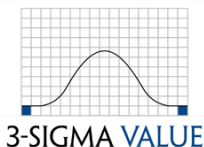
Business School in 1999. Most importantly, Ed is an old friend and someone I've wanted to work with for a long time. What Ed brings to the table is business development expertise, a higher touch business model, and tremendous social intelligence. He will handle everything outside of the portfolio allowing me to focus on what I do – plugging into the Matrix, analyzing data, and communicating the results. I welcome potential investors to contact Ed Kaplan at: Arbitr Capital, LP / 575 Madison Avenue, 10<sup>th</sup> Floor, New York, NY 10022 / telephone (212) 996-2650 / edk@arbitercapital.com.

Finally, there's been a lot written about the underperformance of active money managers, and hedge funds in particular. Apparently, hedge funds as a whole returned only 3% in 2014, and have underperformed ever since the market bottomed in 2009. I can't say I'm surprised, because when the market goes straight up, any index fund will do. I've been thinking about the relationship between decision and outcome. To begin at the end, the correctness of a decision cannot be judged by its outcome. Long-term success depends on repeatability of a decision-making process, not the short-term satisfaction of any unique success. And what matters most in the repeatability of this process is the rigor of due diligence and accuracy of the underlying assumptions. No decision is better than the assumptions on which it's based. As Yogi Berra said, "In theory there is no difference between theory and practice, but in practice there is."

In theory, the market is efficient and active fund managers trail the S&P 500. In practice, there are plenty of hedge fund managers who outperform over the cycle. I'm reminded of a ditty that captures the essence of active investing. *A professor of finance is talking a walk across the campus with one of his students. The student says, "Look professor: isn't that a \$10 bill on the ground?" The professor answers, "It can't be a \$10 bill. If it were, someone would have picked it up by now." The professor turns and walks away, and the student picks it up and has a beer.*

Thank you for your confidence.

Benjamin Weinger  
Portfolio Manager  
3-Sigma Value, LP  
3-Sigma Value Financial Opportunities, LP



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