



ADV Part 2A – Firm Brochure

Merricks Capital Pty Limited

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Australian Financial Services Licence 319477

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This brochure provides information about the qualifications and business practices of Merricks Capital. If you have any questions about the contents of this brochure, please contact us at +613 8319 8111 and/or merrickscapital@merrickscapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any securities authority.

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

Merricks Capital is an SEC-registered investment adviser. This registration does not imply any level of skill or training.



Item 2: Material Changes

This section is used only to discuss material changes to Part 2A of Form ADV: Firm Brochure since the last annual update of the Brochure dated 26 September 2011 and the update required of registered investment advisers dated 26 March 2012. There are no material changes.



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Item 4: Advisory Business

(A) Merricks Capital Pty Limited (**Merricks Capital**) was established in 2007 and is based in Melbourne, Australia. Merricks Capital is an independent investment manager and is also registered and regulated by the Australian Securities and Investments Commission and is the holder of Australian Financial Services Licence 319477. This registration does not imply any level of skill or training. Adrian Redlich is the Chief Investment Officer of Merricks Capital and he together with Bori Liberman are the principal owners of Merricks Capital, together owning approximately 80%.

(B) Merricks Capital provides a wide range of portfolio management and advisory services to private investment funds and advised accounts which have individuals, businesses and institutions as investors. These portfolio management and advisory services include (but are not limited to) equities, real estate, commodities, futures, options, bonds and fixed income. The primary service that Merricks Capital currently provides is as a Fund Manager and as the manager of:

- Merricks Capital Long/Short Equity Fund (Australian Fund)
- Merricks Capital Soft Commodities Fund (Australian Fund)
- Merricks Capital Soft Commodities Master Fund (Cayman Fund)
- Merricks Capital Special Opportunity Fund

Please see Item 8 for a detailed description of the Investment Strategy and Methods of Analysis for each of the above Funds.

In addition to the above funds that Merricks Capital advises and manages, Merricks Capital also advises and manages accounts for other separate clients on a discretionary and non-discretionary basis.

Please note that the following funds are not open to US based investors, Merricks Capital Long/Short Equity Fund (Australian Fund), Merricks Capital Soft Commodities Fund (Australian Fund) and the Merricks Capital Special Opportunity Fund. These strategies are available by Cayman funds (if offered) or via managed accounts (if offered).

(C) In its role managing the above Funds, Merricks Capital provides investment advice tailored to the investment objectives and policies of the Funds. Except as provided for in the Funds' respective investment policies, the Funds may not impose any other restrictions on investing in securities or types of securities. Aside from the above, Merricks Capital does not provide individual tailored advice to each advised client and Merricks Capital generally does not provide individual tailored services.

(D) Merricks Capital does not participate in wrap fee programs.

(E) As at 30 June 2012 Merricks Capital has \$597,545,481 in assets under management. \$559,173,818 assets are managed on a discretionary basis. \$38,371,663 assets are managed on a non-discretionary basis. As at 31 August 2012 Merricks Capital has \$561,286,223 in assets under management. \$554,426,225 assets are managed on a discretionary basis. \$6,859,998 assets are managed on a non-discretionary basis.



Item 5: Fees and Compensation

- (A) Merricks Capital is compensated for its advisory services by payment of both a management fee and performance fee. Please see Item 6 in relation to the performance fee. The management fee that a client will pay is generally set forth in the organizational and offering documents of the Funds and in the advisory agreements with other clients. These general fee arrangements may also be negotiated. The management fee for each of the above named funds is:

Merricks Capital Long/Short Equity Fund (Australian Fund)	The management fee is 2% per annum.
Merricks Capital Long/Short Equity Master Fund (Cayman Fund)	The management fee is 2% per annum.
Merricks Capital Soft Commodities Fund (Australian Fund)	The management fee is 2% per annum.
Merricks Capital Soft Commodities Fund (Cayman Fund)	The management fee is 2% per annum.
Merricks Capital Special Opportunity Fund	The management fee is 1.25% per annum.

- (B) Fees are deducted from the client's assets. The management fee is calculated and paid monthly in arrears. The management fee is calculated monthly as $1/12 \times$ annual fee (eg 2%) on the net asset value of the client's investment.
- (C) Merricks Capital's clients generally invest into funds managed by Merricks Capital. In addition to management fees, additional expenses that each respective fund will incur include (but are not limited to) establishment costs, audit fees, legal fees, administrator fees and expenses, prime brokerage fees, custodian fees, transaction costs and taxes. Please see Item 6 in relation to the performance fee which may also be payable.
- (D) None of Merricks Capital's clients are required to pay any fees in advance.
- (E) Neither Merricks Capital nor any of its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sales of mutual funds.

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

In addition to the fee that is payable is Item 5, a performance fee of between 10% and 20% of the amount by which the net asset value of a client's investment, (including any interim distributions past the last 'Performance Fee Period' (as defined below)), exceeds the 'High Water Mark' (as defined below), is payable to Merricks Capital. The 'High Water Mark' means the initial investment amount and the highest net asset valuation at the end of a period where a performance fee has been paid, adjusted for subsequent distributions. The Performance Fee Period is calculated is payable on either on 1 July or 1 January.



Item 7: Types of Clients

The minimum investment that Merricks Capital accepts is \$50,000. Merricks Capital, through funds and separate accounts, provides advisory services to a number of clients including:

- Individuals, including high net worth individuals
- Trusts
- Investment Companies
- Banking and Financial Institutions
- Pension Funds
- Other pooled investment vehicles
- Charitable organizations
- Corporations and other businesses
- Superannuation and Pension Funds

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

(A) Investment Strategies and Methods of Analysis

- ***Long/Short Equity Australian and Cayman Funds - Investment Strategy:***
 - Investing in securities involves risk of loss that clients should be prepared to bear.
 - The Long/Short Equity Fund focuses on investments in listed companies in Asia which includes (but is not limited to) Australia, Japan and Hong Kong. The Fund's investment approach is long/short market neutral with country and industry exposure limits.
 - The strategy is long Asian companies which Merricks Capital thinks are going to be the best performers and is short Asian companies which Merricks Capital thinks are going to be the worst performers over a 6 to 12 month period.
- ***Long/Short Equity Method of Analysis - Fundamental Research:***
 - Investment ideas are generated by detailed bottom up research processes by the CIO, Portfolio Manager and industry analysts who undertake fundamental research.
 - Ideas come from our research processes, our broad private equity network, industry conferences, vendor/channel checks, management contacts and sell-side research.
 - The research conducted by Merricks Capital includes review of all filings, prospectuses, annual and half yearly reports, company announcements, analyst calls, meeting with company management, on site company visits, review of broker and industry research and engaging external consultants.

- ***Soft Commodities Australian and Cayman Funds - Investment Strategy:***

- Investing in securities, futures contracts and physical assets involves risk of loss that clients should be prepared to bear.
- The Soft Commodities Fund focuses on trading soft commodities including (but not limited to) wheat, soybeans, corn, palm oil, barley, canola and sugar. The objective of the strategy is to find outstanding investment opportunities in the Soft Commodities sector and to also take advantage of mispricing between commodities.
- This strategy's trading includes (but is not limited to) exchange and option based trading and physical trading of soft commodities. The trading strategies include (but are not limited to) calendar spreads, substitute spreads, quality spreads, basis trades, intra commodity spreads, logistics and storage spreads and directional views. Trading occurs on all markets including (but not limited to) Japan, Australia, Hong Kong, Singapore, Malaysia, New Zealand and the United States.

- ***Soft Commodities - Method of Analysis - Fundamental Research and Technical Consideration:***

- All investments are based on bottom up fundamental research. Detailed bottom up supply and demand models are maintained for each of the major commodities in the grain and vegetable oil complex.
- A significant portion of the investment thesis is developed from Merricks Capital's extensive involvement and experience in the physical trading and supply chain of grains and vegetable oils. Merricks Capital is in constant dialogue with industry participants including farmers, bulk handlers, physical brokers, food buyers and brokers around the world. The input from these industry sources is benchmarked against current models and market expectations (prices).
- Technical market aspects such as prices, volatility and spreads are examined in a historical context to assess possible trading ranges and the likely thinking of other market participants.

- ***Special Opportunity Fund - Investment Strategy:***

- Investing in securities, bonds, fixed income, debt and convertible notes involves risk of loss that clients should be prepared to bear.
- This strategy focuses on having a high concentration of investments at any given time.
- Generally the strategy focuses on making investments with small to mid-cap Australian listed companies, investments in private companies, real estate and commodities.
- The types of investments that the strategy targets are:
 - Obtaining a strategic stake in a desired small to medium sized listed company via placement of new securities or acquisition of securities.



- Construction of unlisted convertible securities offering equity-type returns but with debt security characteristics.
- Combining with other investors to acquire significant stakes in companies with a view to actively agitating for change, which could release hidden value to all shareholders.
- Investments that reward the provision of liquidity.

- ***Special Opportunity Fund - Method of Analysis - Fundamental Research***

- Investment ideas are generated by detailed bottom up research processes by the CIO, Portfolio Manager and industry analysts who undertake fundamental research.
- Ideas come from our research processes, our broad private equity network, industry conferences, vendor/channel checks, management contacts and sell-side research.
- The research conducted by Merricks Capital includes review of all filings, prospectuses, annual and half yearly reports, company announcements, analyst calls, meeting with company management, on site company visits, review of broker and industry research, engaging external consultants.

(B) Material Risks

- ***Transaction costs***

- The Long/Short Equity strategy involves frequent trading of securities and the brokerage and other transaction costs and taxes, can affect the investment performance.
- The Soft Commodities Strategy involves frequent trading of securities, futures contracts and physical assets and the brokerage and other transaction costs and taxes, can affect the investment performance.

- ***Liquidity***

- Under certain conditions liquidity of a particular market or security may be restricted, thus affecting the performance of the strategy. Lack of liquidity or market depth can affect the valuation of an investment.

- ***Economic Conditions***

- Changes in economic conditions, including, for example, interest rates, inflation rates, employment conditions, competition, political and diplomatic events and trends, and tax laws can affect substantially and adversely the business and prospects of any investment.

- ***International Investing and Risk of Government Intervention***

- Trades are executed in multiple countries and on multiple exchanges including (but not limited to) United States, Australia, Japan, Hong Kong, Singapore and Malaysia. Additional risks of international investing include political or economic instability in the country of issue, and the possible introduction of new laws or restrictions,

government regulation or intervention through regulation of their local markets, foreign exchange controls, restrictions on investments by foreigners or limits on flows of investment funds or risk of government expropriation of assets. Such regulation or intervention could adversely affect an investment's performance.

- ***Short Selling***

- Each of Merricks Capital investment strategies may engage in short selling. Selling securities short creates the risk of losing an amount greater than the initial investment, and can also involve borrowing and other costs which can reduce profits or create losses in particular positions.

- ***Market Risk***

- Any investment made in a specific group of securities is exposed to the universal risks of the securities market.

- ***Foreign Exchange Risk***

- Investments may be invested in securities and other instruments, denominated in currencies other than client's base currency. The value of such investments may be affected favourably or unfavourably by fluctuations in exchange currencies.

- ***Leverage***

- All of the funds that Merricks Capital manages may leverage their capital. Accordingly, the leverage can magnify both the gains and losses and investors may experience resulting in increased volatility in the value of their investments.

- ***Foreign Taxation***

- Merricks Capital trades on markets located in many jurisdictions around the world with different tax regimes some of which may subject investment to withholding or other taxation, which may impact the returns.

- ***Limited Diversification***

- The Long/Short Equity Strategy invests in different securities in Asian companies. However, the strategy is concentrated towards a small number of countries and sectors, and therefore will be subject to limited diversification which may result in a significant level of volatility.
- The Soft Commodities Strategy invests in different soft commodities. However, the strategy is concentrated towards a small number of investments, and therefore will be subject to limited diversification. The strategy has a high level of correlation with each investment, which may result in a significant level of volatility.
- The Special Opportunity Strategy invests in a very small and limited number of positions and is highly concentrated. Therefore it will be subject to limited diversification which may result in a significant level of volatility.



(C) Particular types of securities and material risks

- Equity Securities – The Long/Short Equity Strategy and the Special Opportunity Strategy will often invest in equity securities. An equity holder is a shareholder, owning a share of the issuer. Different types of equity securities (common, ordinary, preferred or convertible stock) provide different entitlements on voting, distribution of profits and return of capital on a winding up. The material risks that the holder of an equity security has are the volatility of the price of the security, the liquidity of the security and the economic conditions that may affect the issuer of the security.
- Futures Contracts – The Soft Commodities Strategy will often invest in futures contracts. A futures contract is a standardized exchanged based contract between two parties to buy or sell in the future a specified asset (e.g. wheat), at an agreed price. The contract standardization includes, quantity, quality and delivery point. The material risks are that the futures contracts typically have an interim partial settlements which may require the posting of margin if there is a price movement against the holder, prior to the settlement date. Further a futures contract is a derivative contract and dislocation between the value of the underlying asset and the futures contract may occur.
- Physical soft commodities - The Soft Commodities Strategy will often invest in physical soft commodities such as wheat, barley, corn, soy oil and canola oil. The material risks that the holder of physical soft commodities have are the volatility of the commodity, the liquidity of the commodity and the perishable nature of the commodity.

Item 9: Disciplinary Information

Merricks Capital is obligated to disclose any legal or disciplinary event that would be material to a client's or prospective client's evaluation of our advisory business. Merricks Capital does not have any material legal, financial or disciplinary items to report.

Item 10: Other Financial Industry Activities and Affiliations

- (A) Neither Merricks Capital nor any management persons are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- (B) Neither Merricks Capital nor any management persons currently are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, or commodity trading advisor, or an associated person of the foregoing entities. Merricks Capital intends to register as a commodity pool operator and intends to register certain management persons as an associated person of a commodity pool operator by 31 December, 2012.
- (C) Merricks Capital or its management persons do not have any relationships or arrangements with related persons that would be material to the advisory business of Merricks Capital or to the clients of Merricks Capital.
- (D) Merricks Capital does not select or recommend other investment advisers for our clients. Accordingly we do not receive any such fees or compensation from other investment advisers.



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

- (A) Merricks Capital has adopted a Code of Ethics pursuant to SEC rule 204A-1, for all employees and supervised persons of the firm describing Merricks Capital's high standard of business conduct and fiduciary duty to its clients. The Code of Ethics sets out the standards of conduct expected of all staff and address conflicts that arise from personal trading and includes provisions in relation to the general ethical principles, reporting personal securities trading (including initial public offerings and private placements), reporting ethical violations and violations of the Code of Ethics, distribution of the Code of Ethics and review and enforcement. The Code of Ethics is designed to protect clients by deterring misconduct, educating supervised persons regarding expectations and laws governing their conduct, and reminding them that they are in a position of trust and must act with complete propriety at all times, protect Merricks Capital's reputation and guard against violation of the securities laws. The Code of Ethics also establishes procedures for supervised persons to follow so that Merricks Capital may determine whether they are complying with ethical principles. Merricks Capital will provide a copy of the Code of Ethics to any client or prospective client upon request.
- (B) Neither Merricks Capital nor a related person recommends to clients to buy or sell for client accounts, securities in which Merricks Capital or a related person has a material interest in.
- (C, D) All employees of Merricks Capital must at all times ensure that they in no way compete with the Funds or take inappropriate advantage of information or opportunities which they come by in the course of their duties. Generally Merricks Capital does not permit any investments to be made on Merricks Capital's own behalf or by any related person in any securities that Merricks Capital is either recommending or investing in for clients. In the rare circumstance where permission is granted, such permission will firstly have to adhere to Merricks Capital's Code of Ethics and secondly, to avoid the creation of any conflicts of interests, can only occur once Merricks Capital has ceased its intended buy or selling (as the case maybe) and does not have an immediate view to trade further in the relevant security.

As Merricks Capital manages many different funds, many funds will trade in the same securities and positions at the same time. In all such cases as far as is practical, Merricks Capital seeks to ensure that net average price (for both purchases and sales) applies to all clients thereby avoiding any conflicts of interests.

Item 12: Brokerage Practices

(A) Selection of broker-dealers

(1) Research and Other Soft Dollar Benefits

- (a) Generally for any investment that is easily traded Merricks Capital will seek to conduct the trade in the manner in which the least amount of commission will be payable which is normally via direct market access. If a position is illiquid or hard to trade Merricks Capital will select a broker-dealer according to the ability of the broker-dealer to execute the trade and the commission that will be payable. Merricks Capital receives research from broker-dealers and the provision of such research from broker-dealers to Merricks Capital is a benefit, as Merricks Capital does not have to produce or pay for the research. However, the research that Merricks Capital receives is not dependent on commission rates paid. Merricks



Capital's primary source of research is from its own bottom-up fundamental processes.

- (b) Merricks Capital acknowledges that the provision of research from broker-dealers can create the perception that Merricks Capital has an incentive to select a broker-dealer based on Merricks Capital receiving the research. However, the provision of research by broker-dealers to Merricks Capital does not in any way impact on Merricks Capital decision on who it will execute trades through or the commission it will pay for execution.
- (c) Merricks Capital does not cause any clients to pay commissions (or markups or markdowns) higher than those charged by the broker-dealers in return for soft dollar benefits.
- (d) Merricks Capital does not use/engage in any soft dollar practices with any broker-dealer or any other party.
- (e) Merricks Capital does not pay for any products, research or services with client brokerage as the research which Merricks Capital receives from the broker-dealers is provided irrespective of the commissions paid.
- (f) Merricks Capital has not during the last fiscal year directed any client transactions to a particular broker-dealer in return for soft dollar benefits.

(2) Brokerage for Clients Referrals

Whether or not a broker-dealer refers clients to Merricks Capital is not a consideration when determining which broker-dealers to engage.

(3) Directed Brokerage

- (a) Merricks Capital does not routinely recommend, request or require that a client direct Merricks Capital to execute transactions through a specified broker-dealer. Whilst Merricks Capital makes the decisions for which broker-dealer the Funds that Merricks Capital manages will trade with, Merricks Capital is not an affiliate of nor does it have an economic relationship that creates a material conflict of interest with any broker-dealer. As stated in Item 12(A)(1)(a) above, Merricks Capital will seek to conduct the trade in the manner in which the least amount of commission will be payable which is normally via direct market access. If a position is illiquid or hard to trade Merricks Capital will select a broker-dealer according to the ability of the broker-dealer to execute the trade and the commission that will be payable.
- (b) None of Merricks Capital's clients are permitted to direct brokerage.

(B) Aggregation of the sale and purchase of securities

Merricks Capital generally buys all securities, futures, physical commodities, bonds and all other investments for clients on an aggregated basis, ensuring that all clients get the best pricing and an average price based on an equitable pro rata basis.



Item 13: Review of Accounts

- (A) Merricks Capital reviews client accounts on a daily basis. The review includes a review of all positions to ensure that all trading is within the stated investment mandate. The review is conducted by Adrian Redlich the Chief Investment Officer and also by the Portfolio Manager and the Risk Manager. In addition, to the above, on a daily basis a reconciliation of all cash, custody and trading are undertaken by the Fund Accountant and the Senior Fund Accountant which is overseen by the Chief Operating Officer.
- (B) In addition to the above review, where applicable, a full reconciliation is undertaken at the end of each month between Merricks Capital's records and that of its custodian and external fund administrator. Please see Item 15 for further information.
- (C) For the Funds which are managed by Merricks Capital each month the administrator of the Fund calculates the monthly NAV of the Fund which is then provided to the investors. In addition to this Merricks Capital provides a monthly Newsletter report to each client. Please refer to Item 15 Custody, below.

Item 14: Client Referrals and Other Compensation

- (A) Neither Merricks Capital nor any of its employees, receives any economic benefit (including sales awards or other prizes) for providing investment advisory or other services to clients from any person who is not a client.
- (B) Merricks Capital has relationships with two firms who receive 20% of the fees that Merricks Capital receives from clients that those firms refer to Merricks Capital. Merricks Capital's clients incur no additional cost. There is no difference in the fee that is charged to the client by Merricks Capital if they are a referred client or a direct client.

Item 15: Custody

For the Long/Short Equity Fund, the Soft Commodities Fund and the Special Opportunity Fund that Merricks Capital manages, all positions are held by qualified custodians. As stated in Item 13 on a daily basis Merricks Capital undertakes a reconciliation with the statements provided by the custodians. In addition, each of the funds has an external fund administrator who at the end of each month also undertakes a full reconciliation. Once the fund administrator has completed its reconciliation, they will provide an investor statement to the investors of the fund which includes the net asset value of the investor's investment which the client should review carefully and compare to the statement they receive from Merricks Capital (if applicable). For some of Merricks Capital's non-US managed accounts, Merricks Capital is the registered nominee holder of assets held with a register and at all times the client is the beneficial owner of the assets, and all cash and other assets are held by registered regulated banks and financial institutions. In such cases Merricks Capital provides an account statement to the clients.

Item 16: Investment Discretion

Merricks Capital accepts discretionary authority to manage accounts. The limitations (if any) which are imposed on Merricks Capital are set out in the investment memorandum of the fund that the client is investing in. Discretionary authority to manage accounts is conferred upon Merricks Capital through an investment management agreement with the client.



Item 17: Voting Client Securities

In accordance with Merricks Capital's voting policy Merricks Capital retains the right to vote in all circumstances. Pursuant to Merricks Capital's policy, Merricks Capital is required to vote in all resolutions relating to a security where Merricks Capital accounts controls 5% or more of the issued capital of the security. Where Merricks Capital accounts do not control 5% or more of the issued capital Merricks Capital has the discretion to decide whether to vote or not and in most such circumstance Merricks Capital will not vote. In accordance with the above, a client may contact Merricks Capital to direct the vote on a specific proposal relating to a security held in the client's account and such request will only apply to that account. Any vote which may be determined to present a conflict of interest between Merricks Capital and its clients, Merricks Capital will request the clients to direct Merricks Capital with respect to that particular vote. Merricks Capital retains a record of its proxy voting which is available upon request. Clients may contact Merricks Capital for a copy of its proxy voting policies

Item 18: Financial Information

- (A) Merricks Capital does not require or solicit any prepayment of client fees.
- (B) There is no financial condition that is reasonably likely to impair Merricks Capital's ability to meet contractual commitments to clients.
- (C) Merricks Capital has not been the subject of a bankruptcy petition at any time.

Item 19: Requirements for State-Registered Advisers

This Items is not applicable to Merricks Capital as it is not a State-Registered Adviser.