

# Maerisland Capital, LLC

## Part 2A of Form ADV

### The Brochure

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March 2012

This brochure provides information about the qualifications and business practices of Maerisland Capital, LLC (“Maerisland”). Maerisland is in the process of registering with the United States Securities and Exchange Commission (“SEC”) as an investment adviser. That registration does not imply a certain level of skill and training. The information in this brochure has not been approved or verified by the SEC or by any state securities authority. If you have any questions about the contents of this brochure, please contact us at 949. 269.1200.

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

## **Item 2 - Material Changes**

This brochure is an amendment to our initial brochure that was filed in November 2011. This is Maerisland's annual amendment filing and reflects the addition of a registered investment company and private offshore funds to Maerisland's advisory client accounts.

### Item 3 - Table of Contents

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## Item 4 - Advisory Business

Maerisland was formed as a Delaware limited liability company in September 2011 by its sole member Mark Beder.

Maerisland primarily provides discretionary advisory services to a U.S. investment limited partnership, offshore investment funds and other pooled investment vehicles, with the goal of achieving capital appreciation while managing risk.

Maerisland tailors its advisory services to meet the investment objectives, guidelines and other terms of the Funds. The Funds' objective is to produce repeatable long-term alpha on the long and short side of a global portfolio through superior stock picking based on proprietary research. See "Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss" below for more detail.

Maerisland serves as investment manager to Maerisland-Trident Fund, L.P., a Delaware investment limited partnership (the "US Fund") and non-U.S. investment funds (the "Offshore Funds") with the same or similar investment strategies as the US Fund (US Fund and Offshore Funds are collectively referred to as "Funds"). The Funds are structured as a "master-feeder" group. Maerisland also serves as a subadviser to a portfolio of a registered investment company ("RIC") pursuant to a subadvisory agreement with the RIC's adviser, Simple Alternatives, LLC. Maerisland may, in the future, act as general partner and/or investment manager to additional or other investment limited partnerships, offshore funds and separately managed accounts.

Maerisland has complete discretion over investment decisions for the Funds, and investors have no authority to change the Funds' investment objectives or limitations. Investors have no right to remove or replace Maerisland.

Maerisland does not participate in wrap fee programs.

Maerisland manages client assets on a discretionary basis. Maerisland does not provide non-discretionary investment advice. The total net assets under management as of February 29, 2012 are \$13,400,000.

## Item 5 - Fees and Compensation

As full compensation for the services provided and the expenses assumed by Maerisland for the RIC's management, Maerisland receives a fee at the annual rate of 2% of the average daily net assets of the RIC's sub-advised assets. Maerisland's compensation is computed based on net assets on each day and is payable monthly in arrears.

For services provided to the Funds, Maerisland is paid a management fee generally at a rate per annum of 1.3% of the balance in Class F (Founders) limited partners' capital accounts; 1.5% of the balance in Class A, Class B and Class C limited partners' capital accounts; and 2% of the balance in Class D limited partners' capital accounts. The management fee is calculated and paid monthly in arrears based on the net asset value of a Fund's capital account balances as of the end of the relevant

calendar month. As to capital contributed on a date other than the first day of a month, Maerisland is paid a prorated management fee.

Maerisland Partners, LLC (“Maerisland Partners”), an affiliate of Maerisland and the general partner of the US Fund, receives an “incentive allocation,” generally calculated and made as of each December 31, in an amount equal to, in the case of Class F (Founders) Interests, 16%; in the case of Class A Interests, 20%; in the case of Class B Interests, 17.5%; in the case of Class C Interests, 15%; and, in the case of Class D Interests, 20% of the net realized and unrealized appreciation in the net asset value of the capital accounts in the relevant Class for the year. The net asset value of the US Fund’s capital accounts includes all assets minus all accounts payable, accrued expenses and other liabilities of that Fund. If a limited partner withdraws capital from his or her or its capital account (or in the unlikely event a distribution were to be made to a limited partner) as of a time other than the end of a year, the general partner will also receive a partial incentive allocation as of the effective date of that withdrawal or distribution. The partial incentive allocation will be calculated and made (if appropriate) only as to the capital account from which a withdrawal was made, and only in proportion to the reduction in that capital account’s balance caused by the withdrawal.

Incentive allocations are subject to a “high watermark” procedure. That is, Maerisland Partners may receive an incentive allocation as to a capital account for a calendar year (or portion of a calendar year, if the allocation is being made as a result of a mid-year withdrawal from such capital account) only if and to the extent that the appreciation in the net asset value of such capital account for the calendar year exceeds any depreciation in the net asset value of such capital account that has not been recouped. This prevents Maerisland Partners from receiving an incentive allocation on net profit that simply restores prior net loss.

Once made, an incentive allocation will not be reduced by losses incurred in later periods. Maerisland Partners may vary the incentive allocation as to particular limited partners by separate agreement.

As a general matter, fees and other compensation are negotiable in certain circumstances and arrangements with particular investors or clients may vary.

Please see “Item 12 - Brokerage Practices” in this brochure for further information on brokerage practices and arrangements that may relieve Maerisland from certain costs and expenses.

Neither Maerisland nor any of its supervised persons accepts commissions or other compensation for the sale of securities or other investment products.

## **Item 6 - Performance Based Fees and Side-by-Side Management**

As discussed above under “Item 5 - Fees and Compensation,” in connection with the Funds that it manages, Maerisland has the right to receive a management fee and an affiliate, Maerisland Partners, an incentive allocation based on the performance of the Funds. For management of the RIC’s assets, Maerisland only receives a management fee and not a performance allocation (or fee). As a result, Maerisland may face a conflict of interest in managing both Funds and the RIC account at the same time because Maerisland may have an incentive to favor Funds for which its affiliate receives a performance allocation. Maerisland seeks to address this conflict of interest through its

trade allocation policies and procedures, which generally require that portfolio managers seek to allocate investment opportunities among Funds and other client accounts in the fairest possible way and using their best judgment.

## Item 7 - Types of Clients

Maerisland's current clients are the Funds. See "Item 4 - Advisory Business" above. Potential Fund investors may read the eligibility criteria and minimum investment requirements of a Fund in a Fund's confidential offering memorandum and subscription application.

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

Maerisland's investment objective is to produce repeatable long-term alpha on the long and short side of a global portfolio through superior stock picking based on proprietary research. The Funds and the RIC follow substantially the same investment strategy, therefore the word "Funds" in the following description includes the registered fund portfolio. The Funds seek to produce these returns irrespective of market direction and limit the volatility of returns by avoiding excessively large geographic, market, stock, sector or thematic concentration. Positions intend to focus on, but are not limited to, select portions of the global consumer discretionary, telecom, industrial and technology sectors where Maerisland believes it has a competitive advantage and a proven track record of generating superior returns. Evolving global, technological and regulatory forces in these sectors are driving dynamic secular change which, in turn, creates exceptional opportunities for both long and short investments

Maerisland will employ proprietary, bottom-up, fundamental research with an aim to identify investment opportunities that cumulatively produce a portfolio of alpha-generating stocks on both the long and short side of the portfolio. Maerisland will adhere to strict portfolio and risk management controls to minimize risks extraneous to its core areas of competency.

The Funds' investment strategy is based on four core principles:

- *Focus* on areas of competitive strength
- Probing and tenacious *proprietary research*
- Rigorous *financial analysis and valuation* approach
- Strict and disciplined *portfolio and risk management*

The Funds may invest a portion of its assets (as described below) in securities for which there is no ready market, including privately placed "venture capital" investments and private investments in public equity securities ("PIPES").

The above description is a simplified summary of the strategies Maerisland employs. Fund investors and prospective investors can find further detail about the strategies in a Fund's confidential offering memorandum, and should only make an investment decision after careful review of all those details and the related risks.

All investing involves a risk of loss and Fund investors should be prepared to bear losses on their Fund investments. Past results are not necessarily indicative of future results. The Funds may produce gains and losses due to broader changes in the financial markets; however, gains and losses

are also based on Maerisland's investment acumen and securities selections, and may be impacted by other factors including market volatility, corporate activity, regulatory oversight, trading volume and money flows. The Funds have significant fees and expenses that will reduce returns. Maerisland may implement a variety of investment strategies and techniques, in addition to those described above, and the Funds may invest in a wide array of investments, each of which may have diverse associated risks, including counterparty risk, credit risk and liquidity risk. The Funds may be leveraged, which increases the risk of investment loss, and the performance may be volatile. The Funds are not subject to the same regulatory and reporting requirements as SEC-registered funds (e.g., mutual funds).

**The risks described above are not a complete list of risks involved with investing in the Funds – specific risks and conflicts of interest associated with an investment in the Funds are described in detail in a Fund's confidential offering memorandum. Investors and prospective investors should carefully review a Fund's confidential offering memorandum for further information.**

## **Item 9 - Disciplinary Information**

None of Maerisland, its affiliates or their respective owners, officers, managers, agents or employees have been involved in any legal or disciplinary events that would be material to a client's evaluation of the company or its personnel.

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

Maerisland, its affiliates and their respective owners, officers, managers, agents or employees are not registered (and do not have any application pending to register) as a broker-dealer, registered representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of any of the foregoing entities. In addition, Maerisland, its affiliates and their respective owners, officers, managers, agents or employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest. Finally, Maerisland does not recommend or select for its clients, or have other business relationships with, other investment advisers.

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

Maerisland's written code of ethics is applicable to all employees. Among other things, the code will require that Maerisland and its employees act in clients' best interests, abide by all applicable regulations, not engage in insider trading, and pre-clear and report on many types of personal securities transactions. Maerisland's restrictions on personal securities trading will apply to employees, as well as employees' family members living in the same household. All employees will be required to report all brokerage accounts in which they have a beneficial interest, as well as their securities holdings. In addition, all employees will be required to pre-clear with the Chief Compliance Officer all proposed securities transactions (except with respect to certain government securities, shares of mutual funds and certain other types of securities that Maerisland does not believe create a potential for conflicts of interest). Maerisland will monitor all employees' securities transactions:

employees may be required to arrange for duplicate copies of their brokerage statements and trade confirmations to be sent to the Chief Compliance Officer or his delegate. A copy of Maerisland's code of ethics will be available to any client or Fund investor, or prospective client or Fund investor, upon request.

While the code will generally prohibit employees from trading in any securities held by the Funds, there may be circumstances where the Funds will trade in a security that an employee already holds in his or her account. Additional scrutiny will be applied if the employee later submits a request to sell a security or enter into a transaction in a security that is also held by the Funds. As a general matter, the employee will be prohibited from selling or transacting in such security, if Maerisland is contemplating a sale or transaction for the Funds in such security.

Maerisland or an affiliate has a financial interest in the Funds (through the management fee and incentive fee described under "Item 5 - Fees and Compensation" above, as well as by way of an investment in the Funds) and, therefore, Maerisland has an incentive to recommend that investors, prospective investors and clients invest in the Funds.

## **Item 12 - Brokerage Practices**

In choosing broker-dealers to execute client transactions, Maerisland seeks "best execution." What constitutes "best execution" and determining how to achieve it are inherently uncertain. In evaluating whether a broker-dealer will provide best execution, Maerisland considers a range of factors. These include, among others, historical net prices (after markups, markdowns or other transaction-related compensation) on other transactions; the execution, clearance and settlement and error correction capabilities of the broker-dealer generally and in connection with securities of the type and in the amounts to be bought or sold; the broker-dealer's willingness to commit capital; the broker-dealer's reliability and financial stability; the size of the transaction; the availability of securities to borrow for short sales; the nature, quantity and quality of research provided by the broker-dealer; and the market for the security. As discussed below, Maerisland is not required to select the broker-dealer that charges the lowest transaction cost, even if that broker-dealer provides execution quality comparable to other broker-dealers, and clients at times will pay more than the lowest transaction cost available in order to obtain services and products other than securities execution.

Maerisland may select broker-dealers in recognition of the value of various services or products, beyond transaction execution, that they provide to Maerisland or its clients. Selecting a broker-dealer in recognition of the provision of services or products other than transaction execution is known as paying for those services or products with "soft dollars." This is common in the professional management of securities portfolios. Maerisland acquires services or products with clients' soft dollars.

A federal statute, Section 28(e) of the Securities Exchange Act of 1934, as amended, recognizes the potential conflict of interest involved in the use by an investment manager (such as Maerisland) of soft dollars generated by securities transactions to pay for various expenses but provides a safe harbor from breach of fiduciary duty claims if certain conditions and requirements are met. Under the safe harbor, soft dollars may be used to acquire "research" and "brokerage" services and products for which clients would otherwise be required to pay. Using soft dollars to pay for services and products other than research and brokerage is not protected by the safe harbor, but does not necessarily



constitute a violation of any law or fiduciary duty. Similarly, use of non-commission soft dollars or otherwise failing to satisfy procedural elements of the Section 28(e) safe harbor are not protected but are not necessarily prohibited. To the extent Maerisland uses soft dollars, it will stay within the Section 28(e) safe harbor.

## **Item 13 - Review of Accounts**

Maerisland's portfolio manager monitors and reviews the Funds on an ongoing basis for overall adherence to the Funds' investment objective and strategies, as well as any guidelines or restrictions.

Fund investors receive account statements directly from the Funds' administrator, Maerisland or Maerisland Partners on a monthly basis. Maerisland may supplement these statements with reports, letters or other communications. All Fund investors also receive annual reports that will include audited financial statements of the Funds as of the end of each fiscal year.

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

At this time, Maerisland does not receive any benefits from third parties for providing investment advice or other advisory services to its clients, nor does Maerisland or any of its related persons directly or indirectly compensate any third party for client referrals.

## **Item 15 - Custody**

All assets of the Funds (cash, securities and other assets) are held in the custody of unaffiliated broker-dealer or banks. However, Maerisland Partners, as the general partner of the US Fund, is deemed to have custody over the assets of that Fund. That is because the general partner of a partnership has broad authority to take possession of the partnership's assets. Maerisland Partners employs various safeguards to balance its "custodial" powers. For example, a reputable, PCAOB<sup>1</sup>-registered independent accountant performs an annual audit of the Fund's financial statements. In addition, Maerisland Partners employs an independent third-party administrator, which calculates management fees and other compensation. Investors should carefully review all statements, and compare Maerisland Partners' statements with the administrator's. The RIC is responsible for its own custodial arrangement and related fees, and Maerisland is not deemed to have custody of the RIC portfolio's assets.

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<sup>1</sup> PCAOB is the Public Company Accounting Oversight Board, a nonprofit corporation established by Congress to oversee the audits of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, accurate and independent audit reports. The PCAOB also oversees the audits of broker-dealers, including compliance reports filed pursuant to federal securities laws, to promote investor protection.

## **Item 16 - Investment Discretion**

Maerisland has full investment discretion over the Funds pursuant to an investment management agreement and as to the US Fund, granted by Maerisland Partners to Maerisland. Fund investors have no ability to modify a Fund's investment strategy. They must, therefore, carefully read a Fund's confidential offering memorandum to understand the investment strategy and risks involved.

Maerisland has full trading discretion with respect to the RIC's portfolio, subject to supervision by the RIC's adviser.

## **Item 17 - Voting Client Securities**

Maerisland has adopted Proxy Voting Policies and Procedures (the "*Procedures*") that are designed to ensure that in cases where Maerisland votes proxies with respect to client securities, those proxies are voted in the best interests of its clients. The Procedures will also require that Maerisland identify and address conflicts of interest between Maerisland and the clients.

A copy of Maerisland's Procedures and information about how Maerisland voted a client's proxies will be available to any client or Fund investor, or prospective client or Fund investor, upon request.

## **Item 18 - Financial Information**

Maerisland is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its clients. Maerisland has not been the subject of a bankruptcy petition.