



## **Form ADV Part 2A: Firm Brochure**

### **Marinus Capital Advisors LLC**

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#### **Principal Office**

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This brochure provides information about the qualifications and business practices of Marinus Capital Advisors LLC (“Marinus”). If you have any questions about the contents of this brochure, please contact our Chief Compliance Officer (“CCO”) at (203-567-6440) or email ([peter.fastovsky@marinuscap.com](mailto:peter.fastovsky@marinuscap.com)). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

**Any reference to Marinus Capital Advisors LLC as a “registered investment adviser” or as being “registered,” does not imply a certain level of skill or training.**

## Item 2: Material Changes

*Not applicable.*

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## Item 4: Advisory Business

Marinus is a limited liability company organized under the laws of the State of Delaware to provide investment management services to several related pooled investment vehicles). Najib Canaan, who founded Marinus in 2009, is the sole member. The investment activities of Marinus are led by Mr. Canaan together with other investment professionals who assist in executing the investment strategy.

Marinus Capital Partners LP (“MCP”) is the general partner (the “General Partner”) of the Onshore Fund and also serves as an adviser and provides administrative services to the Master Fund. Mr. Canaan controls the General Partner.

Marinus provides discretionary investment advice to the following private investment funds (collectively, the “Funds”): (i) Marinus Opportunities Domestic Fund LP (the “Onshore Fund”), a Delaware limited partnership; and (ii) Marinus Opportunities Master Fund Ltd. (the “Master Fund”) and Marinus Offshore Opportunities Fund Ltd. (the “Offshore Fund”), each a Cayman Islands exempted company.

Marinus organized the Funds to invest in long and short positions primarily in structured mortgage and asset-backed securities. In providing services to the Funds, Marinus formulates each

Fund's investment objectives, directs and manages the investment and reinvestment of each Fund's assets.

Marinus generally does not permit investors in the Funds to impose limitations on the investment activities described in the offering documents for the Funds.

Marinus does not participate in wrap fee programs.

As of September 1, 2012, Marinus managed \$112.8 million of regulatory assets under management on behalf of the Funds on a discretionary basis. Marinus does not manage any assets on a non-discretionary basis.

## **Item 5: Fees and Compensation**

Marinus' fees and compensation are described in the advisory contracts it enters into with the Funds. All of Marinus' clients are "qualified purchasers" (as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended (the "1940 Act")).

Marinus generally deducts its management fees from the Master Fund monthly in advance. Generally, Marinus or its affiliates receive performance-based allocations from the Master Fund on an annual basis in arrears and upon redemptions by Investors in the Funds.

The Funds will pay, or reimburse Marinus and/or the General Partner for advancing, the Funds' operating expenses, including expenses related to the offering of interests, filings, administration and audit expenses, any and all fees for research and analytics (including on-line news and quotation services, Bloomberg service, Intex, etc.), research materials and research-related travel and due diligence, interest on margin accounts, legal, accounting and professional fees, insurance costs, consulting fees, borrowing charges on securities sold short, custodial fees, trustees fees, brokerage commissions, bank service fees, interest on loans and debit balances, any taxes applicable to the Funds on account of their operations and/or investments, and any and all expenses related to the management and operation of the Funds as well as the purchase, sale or transmittal of assets, as Marinus shall determine in its discretion. The Funds will also be responsible for its organizational fees and expenses. In addition, each Fund will bear its proportionate share of the expenses of the Master Fund.

If certain administrative expenses charged to the Funds exceed 0.5% of the Funds' net asset value (the "Cap") in any calendar year, Marinus will bear such administrative expenses to the extent (and only to the extent) that they exceed the Cap.

Marinus may also allocate a portion of the Funds' capital to money market funds, exchange-traded funds and other products that pay fees to their respective managers. In addition to the fees and expenses discussed above, the Funds will indirectly incur similar fees and expenses if Marinus invests their capital in such products, as these vehicles in turn pay similar fees and expenses to their investment managers and other service providers.

Investors may be charged an early withdrawal fee when redeeming their Fund interests. If an investor withdraws its interests within the first year following its capital contribution, the investor will be subject to an early withdrawal charge equal to five percent (5%) of the net asset value of the capital that is being redeemed, which will be deducted from the proceeds such investor will receive and will be paid to the Fund.

The General Partner and/or the board of directors of the Offshore Fund and the Master Fund (the “Directors”), in their discretion, may partially or fully waive or modify this redemption fee with respect to one or more investors without notice to, or the consent of, the other investors.

Management fees are generally paid by the Master Fund monthly in advance.

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

Marinus or its affiliates receive annual performance-based allocations from the Funds, which are based on a percentage of the net capital appreciation of their assets. These allocations may create an incentive for Marinus to make more speculative investments than would otherwise be made, or make decisions regarding the timing and manner of realization of investments differently than if such allocations were not received. The incentive allocation to the General Partner is based on the net profits generated by the Funds, which may create an incentive for Marinus, an affiliate of the General Partner, to make investments on behalf of the Funds that are riskier or more speculative than would be made in the absence of such incentive allocation. However, Marinus attempts to minimize these potential conflicts by ensuring that it is managing the Funds’ portfolios in accordance with stated investment objectives and disclosures to Investors.

If, in the future, Marinus manages client accounts with different performance-based fee and/or allocation terms than those of the Funds, it may result in a conflict of interest when Marinus allocates opportunities among these accounts because it will have an incentive to favor accounts that have higher performance-based fees and/or allocations. To avoid such a conflict of interest, Marinus would generally follow documented procedures in allocating opportunities among such accounts, which would not take into account the performance-based fees and allocations to which such accounts would be subject. Similarly, new issues (as defined by rule 5130 of the Financial Industry Regulatory Authority, Inc.) would be allocated to client accounts in accordance with the same procedures.

As the management fees and performance-based allocations are based directly on the net asset value of the Funds, Marinus has a conflict of interest in valuing the assets held by the Funds. In order to mitigate this conflict, Marinus will follow its documented valuation policies and consult with the third-party administrator to the Funds in order to mitigate this risk.

## **Item 7: Types of Clients**

Marinus provides investment advisory services to the Funds. Investment advice is provided directly to the Funds, subject to the direction and control of the respective General Partner and/or Directors of each Fund and not individually to the Investors. Investors in the Funds may include, but are not limited to, high net worth individuals, family offices, fund of hedge funds, endowments, foundations, trusts, charitable organizations, pension plans, and corporate or business entities.

Details concerning applicable investor suitability criteria are set forth in the respective Fund's offering documents and subscription materials. The minimum commitment for an Investor is outlined in the respective Governing Fund Documents (as defined below) for each Fund, but is generally \$3 million. However Marinus and/or its affiliates maintain discretion to accept less than the minimum investment threshold. Each Investor is required to meet certain suitability qualifications, such as being an "accredited investor" within the meaning set forth in Regulation D under the Securities Act, as amended, and a "qualified purchaser" as defined in Section 2(a)(51) of the Investment Company Act, as amended.

The "Governing Fund Documents" means each Fund's confidential private placement memoranda, subscription agreements and other governing documents applicable to each Fund.

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

### *Methods of Analysis and Investment Strategies Generally*

#### Investment Strategy

The Funds are alternative investment funds that will take long and short positions primarily in structured mortgage and asset-backed securities. The principal investment objective of the Funds is to generate superior absolute risk-adjusted returns with low correlation to the broader risk asset markets. Marinus seeks to achieve the Funds' investment objectives by taking advantage of the on-going dislocations in the mortgage and asset-backed securities markets with an initial focus on distressed credit segments of the residential mortgage market.

The Funds will primarily invest (long and short) in various securitized or structured product categories including, but not limited to, (i) residential mortgage-backed securities ("RMBS"), including securities backed by prime, Alt-A and subprime residential loans and GSE-backed residential loans and (ii) various derivative instruments, including credit default swaps, options, futures, corporate derivatives and other instruments. Such instruments may include positions in the ABX and CMBX indices and any other index Marinus deems appropriate. The Funds may also invest in commercial mortgage-backed securities ("CMBS") (transactions backed by commercial real estate loans) and asset backed securities ("ABS"), including transactions backed by credit card receivables, auto receivables and other special situations asset-backed securitizations. The Fund may also make use of interest rate swaps, caps, floors, Euro-dollar deposits and Treasury futures and any other fixed income instruments deemed appropriate by Marinus in the construction of a balanced portfolio.

Marinus intends to take a disciplined approach centered on conducting a fundamental credit analysis of underlying assets and carefully accumulating what it believes are mispriced or misunderstood cash flows with positive credit convexity. The underlying premise of the investment strategy is to minimize the error factors inherent from any single projected scenario. The approach is to analyze each investment as a matrix of likely outcomes through the use of multiple proprietary models. Marinus believes this approach

will enable it to assess the potential performance of an investment under a range of scenarios, clarifying the return profile and the imbedded credit optionality of that security's cash flows. While ratings are an important aspect of any securitization, Marinus will avoid a primary reliance on achieving returns through a ratings arbitrage approach.

#### Method of Analysis

Marinus combines a bottom-up, research-driven analytic process with a top-down macro approach to portfolio risk. The target portfolio will generate a high level of current income portfolio with relatively stable mark-to-market characteristics. Using several proprietary models, internal and external research, and commercially available loan level databases, Marinus intends to acquire mispriced and misunderstood cash flows as core assets for the base portfolio construction. Marinus believes that these analytical tools can only be optimized in conjunction with a subjective approach that relies on the extensive experience of the Investment Manager in interpreting the output of the various models.

Marinus aims to construct a portfolio profile, with off-setting risk attributes and tail-risk hedges. Marinus' central approach is to seek to minimize unexpected credit outcomes on the individual holdings while shielding the entirety of the portfolio from macroeconomic credit events.

The investment process includes four distinct steps: Step 1 is an on-going macro/sector analysis and review, which includes an economic overview of consumer trends within the broader context of the state of fixed income, credit, and housing markets. Step 2 is the specific opportunity identification, which includes an on-going review of sell-side product offerings, sector-level demand and supply analysis, regulatory and legal reviews of developments in specific sectors of the securitization markets, and active involvement in special situations that arise from the activities of various market participants. Step 3 is the asset specific analysis, which includes collateral analysis, delinquency roll analysis, structure and waterfall analysis, legal and regulatory reviews, hedging considerations, and market pricing analysis. Step 4 is the review of the selected asset within the context of the overall portfolio construction and its impact on the portfolio profile, which includes an analysis of the impact on the cash flow profile, the credit risk profile, and the interest rate risk profile.

**There can be no assurance that the Funds will achieve their investment objectives. Investing in securities involves risk of loss that the Funds and their investors should be prepared to bear.**

#### B. *Risk*

There are a number of risks associated with the Funds' trading programs and strategies, including risks associated with asset-backed securities and commercial mortgage loans, derivatives, the practices of short selling and the use of leverage, among others. Please refer to each Fund's confidential private offering memorandum for a more detailed description of such risks.

In addition, our approach may, from time to time, emphasize active management of each Fund's portfolio. Consequently, the Fund's portfolio turnover and brokerage commission expenses may from time to time be greater than for other types of investment vehicles.

## **Item 9: Disciplinary Information**

Neither Marinus nor any of its officers, directors, or employees or other management persons, has been involved in any legal or disciplinary events that would require disclosure in response to this Item.

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

MCP is the general partner of the Onshore Fund and the adviser of the Master Fund. While the General Partner is not separately registered as an investment adviser with the SEC, all of its investment advisory activities are subject to the Investment Advisers Act of 1940, as amended (the "Advisers Act") and the rules thereunder. In addition, employees and persons acting on behalf of the General Partner, if any, are subject to the supervision and control of Marinus.

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

Marinus has adopted a written Code of Ethics (the "Code") that is applicable to all employees. Among other things, the Code requires Marinus and its employees to act in Clients' best interests, abide by all applicable regulations, avoid even the appearance of insider trading, and pre-clear and report on many types of personal securities transactions. Marinus' restrictions on personal securities trading apply to employees, as well as employees' family members living in the same household. A copy of Marinus' Code is available upon request by contacting Peter Fastovsky at 203-567-6405.

Employees must pre-clear all personal securities transactions, including IPO's and securities obtained through a private placement, before completing the transactions. Marinus may disapprove any proposed transaction, particularly if the transaction poses a conflict of interest. Employees are also required to provide quarterly reports regarding transactions and holdings in "Reportable Securities" as defined in the Advisers Act. Employees must disclose all personal trading accounts initially upon commencement of employment and annually thereafter. Marinus maintains a restricted list of securities in which employees are not allowed to invest.

## **Item 12: Brokerage Practices**

### **A. *Selection of Brokers***

#### **1. Soft Dollar Benefits**

In selecting brokers to effect portfolio transactions for the Funds, Marinus considers such factors as the ability to effect prompt and reliable executions at

favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; the firm's risk in positioning a block of securities; the quality, comprehensiveness and frequency of related services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying our selection criteria. Accordingly, if Marinus determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and products or services provided by such broker, the Funds may pay commissions to such broker in an amount greater than the amount another broker might charge for effecting the same transaction.

Marinus does not participate in any formal soft dollar arrangements outside of receiving research available to other institutional investors. However, Marinus might execute securities transactions on behalf of the Funds with broker-dealers that provide it with access to proprietary research reports (such as standard investment research and credit reports). To the best of Marinus' knowledge, these services are generally made available to all similar institutional investors doing business with such broker-dealers.

Marinus does not separately compensate such broker-dealers for the research and does not believe that it "pays-up" for such broker-dealers' services.

Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. Actual brokerage business received by any broker may be less than the suggested allocations, but can (and often does) exceed the suggestions, because total brokerage is allocated on the basis of all the considerations described above. A broker is not excluded from receiving business because it has not been identified as providing services.

Marinus' trading approach may emphasize active management of the Funds' portfolios. Consequently, the Funds' portfolio turnover and brokerage commission expenses may from time to time be greater than for other types of investment vehicles.

One or more of the Funds' prime brokers will provide the Funds or Marinus with capital introduction services and front and back office services, including trading, securities lending, clearing, reporting, and settlement for equities, fixed income, foreign currency and options, among others.

2. Brokerage for Client Referrals

Marinus may receive introductions to Investors through broker-dealers that execute trades on behalf of Marinus. Marinus does not believe that it pays any additional fees or higher commissions as a result of these introductions. Marinus seeks best execution on all transactions. However, Marinus may have incentive to select or use a broker-dealer based on receiving Investor referrals from that counterparty.



Notwithstanding Marinus believes that the risk of this conflict is mitigated by its internal best execution procedures as noted above. To prevent brokerage commissions from being used to pay investor referral fees, Marinus will not allocate brokerage business to a referring broker unless Marinus determines in good faith that the commissions payable to such broker are reasonable in relation to those available from non-referring brokers offering services of substantially equal value to the Funds.

3. Directed Brokerage

*Not applicable.*

4. Trade Errors

Marinus seeks to detect trade errors prior to settlement and to correct and/or mitigate them in an expeditious manner.

To the extent an error is caused by a third party, such as a broker, Marinus will seek to recover any losses associated with the error from that third party. However, there is no guarantee that Marinus will be able to do so. In the event that a Fund incurs a trade error solely as a result of Marinus' bad faith, gross negligence, or willful misconduct, such error will be corrected by Marinus as soon as practicable and in a manner such that the Fund incurs no loss. Trade errors that result other than by breach of the standard of care stated in the previous sentence will be borne by the relevant Fund. To the extent that any gains arise from trading errors then such gains will be retained by the Fund that benefited from such errors.

## **Item 13: Review of Accounts**

The Funds' portfolios are reviewed on a continuous basis. Marinus' investment personnel hold investment meetings, as necessary, to discuss investment ideas, investment strategies, economic developments, current events, and other issues related to current portfolio holdings and potential investment opportunities.

Marinus provides each Investor with the following reports in accordance with the terms of the applicable Governing Fund Documents: (i) periodic unaudited financial reports, no less frequently than quarterly; (ii) annual audited financial reports; and (iii) annual tax information necessary to complete any applicable tax returns.

Marinus may enter into side letter agreements with certain investors pursuant to which they may provide such investors with preferential terms with respect to their investment in the Funds, including, without limitation, with respect to management fees, performance allocations, withdrawal terms (including the frequency of withdrawals and/or required notice periods) and/or transparency (including portfolio transparency).

**Item 14: Client Referrals and Other Compensation**

Marinus does not receive any economic benefits from non-clients in connection with the provision of investment advice to clients.

Marinus may periodically engage third party placement agents (i.e. solicitors) to introduce prospective investors to the Funds. The fees and expenses of any third-party placement agents will be paid by Marinus.

**Item 15: Custody**

Marinus is deemed to have custody of the Funds' assets because of the authority that Marinus and/or its affiliated entities have over those assets. The Funds financial statements are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and the audited financial statements are distributed to each Investor. The audited financial statements are prepared in accordance with generally accepted accounting principles.

**Item 16: Investment Discretion**

Marinus generally has discretionary authority to determine, without obtaining specific consent from the Funds or its Investors, the securities and the amounts to be bought or sold on behalf of the Funds. Any limitations on such authority are included in the Governing Fund Documents.

**Item 17: Voting Client Securities**

Marinus does not vote proxies and does not accept proxy voting authority on behalf of the Funds. A copy of Marinus' proxy voting policies and procedures is available upon written request.

**Item 18: Financial Information**

Marinus is not required to provide a balance sheet in response to this Item.