



**Brochure/Form ADV Part 2A**

# Marcuard Family Office Ltd.

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CRD No.: 155003

SEC File No.: 801-71914

Date of Brochure: March 2015

## Introduction

Marcuard Family Office Ltd. (hereinafter "Marcuard", "we" or "our") is registered with the United States (U.S.) Securities and Exchange Commission ("SEC"). This Form ADV Part 2A/Brochure ("Brochure") provides information about the qualifications and business practices of Marcuard. If you have any questions about the contents of this Brochure, please contact Dr. Peter Stocker, our Chief Compliance Officer, at [p.stocker@marcuardsfamilyoffice.com](mailto:p.stocker@marcuardsfamilyoffice.com). The information in this Brochure has not been approved or verified by the SEC or any state or foreign securities authority. Registration does not imply that Marcuard, or its associates, have attained a certain level of skill or training.

This Brochure provides information for our U.S. clients. In general, the provisions of the U.S. Investment Advisers Act of 1940 and SEC rules thereunder ("Advisers Act") and this Brochure and the protections of the Advisers Act do not apply to our non-U.S. clients.

Any reference to private funds within this brochure is for informational purposes only, and is intended to address legally required disclosures about our business practices and conflicts associated with managing private funds. Only qualified investors are able to invest in these funds, and they should read the fund's prospectus or other offering material prior to doing so. No reference within this brochure should be viewed as an offer to sell or an offer to buy an interest in private funds.

We encourage you to visit the SEC's Investment Adviser Public Disclosure (IAPD) for more information about Marcuard. The IAPD web address is [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by search for "Marcuard Family Office Ltd". or our firm's CRD number 155003.

## Item 2 – Material Changes

Since the previous update of this Brochure dated June 2014, the following material changes have been made to this Brochure:

Marcuard had a change in our assets under management. See *Item 4 – Advisory Business* for more information.

Marcuard added Flat Fees to our Standard Fees. See *Item 5 – Fees and Compensation* for more information.

Marcuard clarified under Item 5 that it may receive a referral fee from Asset Managers for non-U.S. clients.

Marcuard will ensure that you receive a summary of any material changes to this and subsequent disclosure brochures within 120 days after our firm's fiscal year ends. Our firm's fiscal year ends on December 31, so you will receive the summary of material changes no later than April 30 each year. At that time, Marcuard will also offer or provide a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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**Item 4 – Advisory Business****A. Description of the Advisory Firm**

Marcuard is a corporation organized under Swiss law in 1998. We are a member of the Swiss Association of Asset Managers. Our controlling shareholder is Ulrich Burkhard. More information about us is available in our Form ADV Part 1.

**B. Types of Advisory Services**

We provide investment advisory, financial planning and family office services to our clients and act as sponsor and investment adviser to three private funds, identified below. The exact services you receive and the fees you will be charged will be specified in your investment advisory services agreement, which must be signed by you and Marcuard before we can provide the services described below.

Investment Advisory Services

We offer investment advisory services on a discretionary or non-discretionary basis. We mainly or exclusively invest or recommend investing client assets with affiliated and independent asset managers that we select (“Asset Managers”) who advise/manage investment funds, hedge funds, funds of hedge funds, private equity funds and who provide investment advice concerning other financial assets.

Clients are advised that there may be other third-party money managers not recommended by Marcuard that are suitable for the client and that may be more or less costly than arrangements recommended by our firm. No guarantees can be made that a client’s financial goals or objectives will be achieved by the Asset Manager recommended by our firm. Further, no guarantees of performance can ever be offered by our firm. Investments involve risk including possible loss of principal. *(Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more details.)*

The two main pillars of our investment advisory services are our *Cockpit* and *Invest* services. *Cockpit* affords clients consolidation, risk analysis and negotiation of fees (we do not negotiate brokerage fees). *Invest* provides clients access to investment committee, asset- and risk-management, quarterly family meetings and interpretation of reports as well as investing in line with international tax, legal and regulatory requirements. We do not provide tax or legal advice.

For discretionary account clients, we exercise our investment discretion based on the investment objectives of the client, such as stated risk tolerance, time horizon, strategy and, if applicable, reasonable restrictions agreed upon specific to the account as established at the inception of the adviser-client relationship (and as amended in writing from time to time) in the investment management agreement or family office service agreement.

For non-discretionary clients, our investment advice is based on the same investment criteria.

You will be responsible for notifying Marcuard of any updates regarding your financial situation, risk profile or investment objective and whether you wish to impose or modify existing investment restrictions; however we will contact you at least annually to discuss any changes or updates regarding your financial situation, risk tolerance or investment objectives. Marcuard is always reasonably available to consult with you relative to the status of your account.

It is important that you understand that Marcuard manages investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions taken for you. Please understand that we are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our personal accounts.

#### Financial Planning Services

We provide investment advice according to a comprehensive financial plan taking into account the client's financial situation and tax, insurance, legal, real estate and investment considerations. The plan may also address issues such as business succession, executive compensation, estate planning, education planning and retirement planning. (Although we use the term "comprehensive", please understand that there may be financial topics or issues which are not covered in our financial plan.) Depending on the client's needs, we will meet with financial planning clients at least annually to review the client's situation and update the financial plan. We may meet with clients on a more frequent basis if the situation warrants. We do not provide legal or tax advice for US resident clients. Clients are required to inform us promptly if their financial situation changes or if the information we have on file regarding them has changed materially. Our financial planning services may not involve implementing transactions on your behalf or ongoing monitoring or managing investments or accounts referenced in the financial plan. To the extent that you would like us to implement any investment recommendation or actively monitor or manage your investment, you must execute a separate written agreement with Marcuard for our investment advisory services.

#### Family Office Services

We offer family office services to high-net-worth families. These services include investment advisory and financial planning services. Further elements of such services generally consist of trust planning, legacy planning, philanthropic planning, entity structuring, reporting and consolidation, as well as property management. The service package may cover family governance services for certain families.

#### Sponsor and Investment Adviser to Private Funds

We are the sponsor of three private funds ("Marcuard Funds"):

- Simplex Fund, based in Liechtenstein ("Simplex Fund");
- MFO Diversified Fund Ltd, based in the Cayman Islands ("MFO Diversified"); and
- MFO IDF I (BVI) LP, based in the British Virgin Islands ("MFO IDF").

Our wholly-owned subsidiary, MFO Capital Ltd., BVI serves as investment manager to MFO Diversified and MFO IDF. However, based on advisory agreements with MFO Capital Ltd., we serve as the sub-adviser for and exercise discretion over the portfolios of MFO IDF. A wholly-owned subsidiary of MFO Capital Ltd., MFO IDF I GP (BVI) Ltd. acts as the general partner to MFO IDF. A non-affiliated US-based investment adviser, Lighthouse Investment Partners, LLC, is the investment adviser to MFO Diversified. Further information about MFO IDF I (BVI) LP as well as MFO Capital Ltd. and MFO IDF I GP (BVI) Ltd. may be found in our Form ADV Part 1A.

The Marcuard Funds will serve as an investment option for our clients; however, only MFO IDF is open to U.S. resident investors. Please understand that Marcuard has an incentive and inherent conflict of interest to recommend and favor these Marcuard Funds that it or its subsidiary sponsor or serve as investment adviser or sub-adviser due to the management fee that Marcuard or subsidiary will

receive from the private fund for its services. Please refer to Item 5 of this Brochure for a description of our fees.

### C. Tailored advisory services

We define with our clients their particular investment objective which includes an individual benchmark and risk-return profile. Some clients may also impose reasonable restrictions on - or objectives for - investing in certain securities or types of securities. All of this is recorded in the client's mandate, which may also include annexes and/or addendums ("Mandate"). However, we will not enter into an investment adviser relationship with a prospective client whose investment objectives may be considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

With respect to serving as a sponsor to the three Marcuard Funds and sub-adviser to MFO IDF, our investment company management services are based solely upon the requirements of the fund and are not based upon any specific requirements of an investor within the fund.

### D. Scope of Investment Advice

Marcuard provides investment advice on the following types of investments:

- Mutual Funds
- Exchange Traded Funds (ETFs)
- Exchange-listed Securities
- Foreign Issues
- Corporate Debt Securities
- Municipal Securities
- US Government Securities
- Direct investment funds (Private Equity / Real Estate)
- Hedge Funds

Although we generally provide advice only on the products previously listed, we reserve the right to offer advice on any investment product that may be suitable for each client's specific circumstances, needs, goals and objectives.

*(Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information.)*

### F. Wrap Fee Programs

We do not participate in any wrap fee programs.

### E. Amounts under Management

As of December 31, 2014, we managed the following assets:

Discretionary Assets	USD	2'572'335'150
Non-discretionary Assets	USD	347'592'918
Total	USD	2'919'928'068

## Item 5 – Fees and Compensation

In addition to the information provided in *Item 4 – Advisory Business*, this section provides additional details regarding our firm’s services along with descriptions of each service’s fees and compensation arrangements. It should be noted that lower fees for comparable service may be available from other sources. The exact fees and other terms will be outlined in the agreement between a client and Marcuard.

### A. Fee Schedule

We charge a management fee for investment advisory and financial planning services on the basis of the amount of the assets placed under our management.

#### Standard Fees

Account Size	Annual Fee Rate
Up to USD 10 million	0.8-1.2%
USD 10 million to 25 million	0.7-1.1%
USD 25 million to 50 million	0.5-1.0%
Over USD 50 million	Negotiable, based on services required and amount of assets under management

Family office services fees are also based on the complexity involved in managing the family’s wealth. Certain services may be provided on a project basis. These projects will be billed at an hourly or a project rate. Hourly fees range from USD 300 to USD 650 per hour. Additionally, we may impose a minimum annual fee, which will be disclosed to and agreed in advance by the client, if applicable, and recorded in the Mandate. All fees are subject to negotiation.

### B. Valuations

The objectives of Marcuard’s Valuation Policies and Procedures are to: prescribe the methodology and the manner in which Assets should be valued; ensure that Assets are valued accurately and consistently as per approved methodology; set a process to prevent incorrect valuation or, if required, detect and correct errors in valuations; and validate the fee calculation process and ensure accurate fees, through monitoring and testing.

An external contractor, Marcuard is working with, provides pricing feeds and calculations to determine the value of Assets and consolidating client portfolios, and calculate portfolio performance to Marcuard. However, the external contractor depends on Marcuard for the valuation of some illiquid assets such as private equity investments, which creates a conflict of interest. The methodology used, together with a list of all pricing feeds and protocols, is formalized in the Policies and Procedures.

It may be the case that a client holds an asset which the external contractor cannot value. In this case the pricing/valuation may be based on information Marcuard receives from its clients or parties related to its clients (e.g. tax advisors, real estate agents etc.). Such assets may include real estate, art or other types of objects.

All valuations are provided to Marcuard’s Valuation Committee. The Valuation Committee will meet on a quarterly basis ahead of the calculation of Marcuard’s management fee. The Valuation

Committee may change a valuation or permit some other method of valuation to be used if, taking into account the currency, applicable rate of interest, maturity, marketability or such other considerations as it deems relevant, it can demonstrate, using such data, that such adjustment is required to reflect more fairly the value thereof. All decisions with regard to valuations, whether or not in conformity with the Valuation Policies and Procedures, shall be documented. MFO Compliance is present as a non-voting adviser at such meetings to help ensure that any decision taken by the Valuation Committee is documented and in line with the Valuation Policies and Procedures as well as applicable regulatory requirements. The Valuation Committee shall document the circumstances requiring a special valuation and the reasoning supporting the valuation assigned by the Valuation Committee.

For certain positions (such as hedge funds, private equity funds and art) no final or current valuation/holdings are available at the time quarterly fees are calculated. Should a US-resident client hold such position with no final or current valuations at the time management fees are calculated, Marcuard and the client will negotiate an annual flat fee for these positions ("Flat Fee") in addition to and separate from the asset based fee on the other positions ("Asset based Fee"). The negotiability factors for the Flat Fee may include but are not limited to the following factors: client's asset base, client's overall assets managed by Marcuard, hypothetical fee rate applicable to other assets, complexity etc. The Flat Fee will be reviewed annually and when and if necessary and may be renegotiated when and if necessary.

Marcuard's Valuation Policies and Procedures are available to clients upon request.

### **C. Fees**

Fees are calculated pursuant to the Mandate or family office service agreement with clients. Asset-based Fees and Flat Fees are generally calculated and payable in advance on a calendar quarter basis. Marcuard's accounting department is responsible for the fee calculations, which are based upon the Valuation Policies and Procedures noted above. The invoices are reviewed by the family office service team and the respective relationship manager. Compliance then executes a sample check of all invoices.

Marcuard's accounting department is responsible for invoicing, collection of fees and the calculation of any retrocessions due to clients. This presents conflicts of interest. To address this, Marcuard conducts an independent review of this process every 12-18 months with the results used to validate the controls that are used and make changes as required.

Marcuard will issue an invoice to the client, and the client is solely responsible for examining and verifying such invoice. Hourly or project fees will be invoiced to clients by sending out a separate invoice on a monthly or quarterly basis, as agreed with the client. The investment advisory fees of Marcuard will be deducted from your Account(s) and paid directly to our firm by the qualified custodian(s) of the client's account(s). Client will authorize the qualified custodian, acting as the agent of the client, to debit from the client's account the fees due and owing to Marcuard and pay such fees directly to Marcuard. The client should review the account statements received from the qualified custodian(s) and verify that the appropriate investment advisory fees are being deducted. The qualified custodian(s) will not verify the accuracy of the investment advisory fees deducted.



**C. Other Types of Fees or Expenses**

To the extent a client's assets are invested with Asset Managers, the client may be subject to other fees and charges as a fund shareholder in addition to the fees paid to us. Those may include fees and charges imposed on shareholders of the fund or imposed on the fund and borne indirectly by shareholders, as disclosed in the fund offering documents. (For a U.S. client, Marcuard does not receive a portion of the fee charged by the Asset Manager to the client; however, for a non-U.S. client, Marcuard may receive a portion of the fee charged by the Asset Manager in addition to the fee charged by Marcuard and such arrangement will be disclosed by Marcuard to such non-U.S. client in writing.) In addition, clients may incur further fees and charges imposed by custodians and brokers, such as custodial fees, commissions, sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, bid-ask spreads, and other fees and taxes on brokerage accounts and investment transactions. Marcuard does not receive any portion of such fees and charges by the custodians and brokers. Investment advisory fees charged by Marcuard are separate and distinct from the fees and expenses charged by the custodians and/or brokers.

Item 12 describes the factors that we consider in selecting brokers for client transactions and in determining the reasonableness of their compensation (e.g. commissions).

**D. Advance Payment of Fees**

The manner in which fees are charged is established in a client's Mandate and/or family office service agreement. We will generally bill and charge our fees in advance on a quarterly calendar basis by the middle of each calendar quarter, which is the fee for the current quarter.

Fees are prorated for your account opened at any time other than the beginning of the calendar quarter.

Mandates and family office service agreements continue in effect until terminated by either party without penalty by providing written notice of termination to the other party. Any prepaid, unearned fees will be promptly refunded by Marcuard to the client. Fee refunds will be determined on a pro rata basis using the number of days services are actually provided during the final period.

**E. Compensation for the Sale of Investment Products**

When a client's assets are invested in a Marcuard Fund, we do not charge "double fees", i.e. fund fees and management fees, on those assets. To avoid double feeing, Marcuard either charges the fee of the respective Marcuard Fund according to that Marcuard Fund's offering documents and the Marcuard Fund is exempted from the overall fee base for Marcuard's management fee; or, the Marcuard Fund remains in the management fee base but the fee of the Marcuard Fund is rebated back.

As mentioned in Item 5C., to the extent a client's assets are invested with unaffiliated Asset Managers or investment product, the client may be subject to other fees and charges as a fund shareholder in addition to the fees paid to us. Upon request, those charges will be notified to the client at or prior to the time that an investment is made. We generally do not receive any portion of these fees and charges: these are the property of the client. In cases where such fees are to be rebated, these will be forwarded directly to the client. In exceptional cases and with full disclosure and written agreement with the client in the Mandate, we may collect such rebates as part of our agreed compensation. In such a case, the advisory fee charged to the client would be reduced accordingly. This will only be done in such a manner so as not to result in our having custody for purposes of the Advisers Act.

Marcuard does not represent that the amount of the management fees is consistent with fees charged by other investment advisers under the same or similar circumstances. The fees charged by Marcuard may be higher than the fees charged by other investment advisers for the same or similar services.

The Marcuard Fund and investors in the Marcuard Fund may incur other fees and expenses in addition to the management fee described above. Such other fees and expenses are typically incurred in connection with the purchase of investments held by the Clients and include brokerage commissions, ticket transaction charges, custodial fees and other expenses assessed by qualified custodians and broker/dealers utilized by Marcuard Fund and Marcuard. Clients may also incur certain other operating and administrative fees and expenses related to normal and customary operating, management, and administrative functions required by the Clients.

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

We currently have not concluded any performance or incentive fee arrangements with our U.S. investment advisory or family office clients. However, we have entered into performance or incentive fee arrangement with our non-U.S. clients.

### **Item 7 – Types of Clients**

We provide our services to high-net worth individuals, trusts, estates, charitable organizations, corporations and other business entities related to high-net worth individuals with the following minimum initial account size:

- USD 20 million for an Investment Advisory/Financial Planning account; and
- USD 50 million for a Family Office account.

The foregoing minimums may be reduced by us in our exclusive discretion. Factors considered when granting an exception include (non-exhaustive list):

- Business activity;
- Residency;
- Age;
- Potential development of the relationship.

A prospective client is required to execute a written agreement with Marcuard specifying the particular advisory services in order to establish a client arrangement with Marcuard.

As discussed above, we also sponsor and serve in various capacities to the Marcuard Funds. The minimum for investing in the Marcuard Funds is specified in the offering documents.

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

Investing in securities is intended for investors who are willing to bear the economic risk of the investment, including a potential loss of the total investment. Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Because of the inherent risk of loss associated with investing, Marcuard is unable to represent, guarantee, or even imply that our services and

methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines.

Our analysis of securities and markets may include charting, fundamental and technical analysis. We also use proprietary methodologies. In selecting Asset Managers and in ongoing due diligence and monitoring of Asset Managers, we may use quantitative and qualitative analysis, an interview process, on-site visits and conference calls, as well as information supplied by industry professionals.

We and our selected Asset Managers use various investment strategies and techniques across a wide range of financial instruments. The financial instruments include, but are not limited to, corporate and government fixed income securities, corporate equities, mutual funds, hedge funds, funds of hedge funds, futures contracts, forward contracts, options contracts, physical commodities, distressed securities, swaps and other derivative products, as well as other capital market instruments. Investment techniques include, but are not limited to, short sales, leverage, uncovered option transactions, currency hedging and limited diversification, which practices can, in certain circumstances, increase the risk of an adverse impact on invested assets.

**Lack of Control.** Marcuard will not control the individual investments made by the unaffiliated Asset Managers, their choice of investments and other investment decisions, which will be totally within the control of the Asset Managers. There can be no assurance that such investments will be successful or will not result in substantial losses.

**Derivatives.** We or the Asset Managers may invest on behalf of our clients in both exchange-traded and over-the-counter derivatives, including, but not limited to, futures, forwards, swaps, options and contracts for differences. These instruments can be volatile and expose clients and investors to a high risk of loss. These instruments often carry a high degree of leverage. As a result, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may result in further loss exceeding any margin deposited. Over-the-counter derivatives also involve counterparty solvency risk and the risk that a buyer may not be able to be found, given the lack of an exchange market.

**Short Selling.** We or the Asset Managers are permitted to sell securities short, in the expectation of covering the short sale with securities acquired in the open market at a price lower than that received from the short sale (we employ short-selling as a hedging strategy only, rather than as an investment strategy). The possible losses from short selling are theoretically unlimited. In addition, short selling can cause downward price pressure on a stock and could therefore pose a conflict of interest if some client accounts were selling short the same security other client accounts hold long (and vice versa).

**Market Risk.** Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.

**Equity (Stock) Market Risk.** Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.

**Company Risk.** When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk, specific risk or diversifiable risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the

company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.

Fixed Income Risk. The risks associated with investing in bonds are: interest rate risk, yield curve risk, credit risk, liquidity risk and currency risk. When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.

Use of Leverage. We or the Asset Managers may also use leverage, such as investing monies borrowed on margin or taking positions in certain types of derivatives that involve leverage. We may also invest client accounts in certain ETFs (exchange-traded funds) that provide leveraged exposure to their underlying indexes. Use of leverage can cause portfolio values to rise and fall faster than if leverage were not used. Use of leverage also involves the risk that securities in an account will have to be liquidated in order to meet margin calls or maintain sufficient asset coverage, at a time when it may not be desirable or advantageous to sell.

Options Trading. The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation either to purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

Hedge Fund Investments. As discussed, we may invest client assets in hedge funds. Hedge funds are speculative investment vehicles which are not subject to the same or same degree of regulation as mutual funds and whose returns may be volatile. There are additional risks associated with investing in hedge funds which may include that: a substantial portion of the fund's trades may take place on foreign exchanges that may not offer the same regulatory protection as US exchanges; there is no secondary market for the interests in hedge funds; and, that hedge funds may be subject to substantial fees. It may be impossible to transfer or liquidate an investment in a hedge fund when desired and thereby avoid significant losses.

Private Equity Fund Investments. We may invest client assets in private equity ("PE") funds. Like hedge funds, PE funds are speculative investments and not subject to the same degree of regulation as mutual funds. PE funds generally impose significant "lock-up" periods — that is, periods when investor money cannot be withdrawn — are not traded on secondary markets and often invest in start-up enterprises or newer industries which may be subject to a higher risk of business failure than traditional businesses. PE funds may impose substantial fees.

Counterparty risk. Counterparty risk is that risk that one party to a transaction does not satisfy its obligation to the other party. This could affect our clients if a party fails to settle a transaction, or a custodian goes insolvent or other events occur that jeopardize an entity with whom we engage in business.

Margin Risk. When you purchase securities, you may pay for the securities in full or borrow part of the purchase price from your account custodian or clearing firm. If you intended to borrow funds in connection with your Account, you will be required to open a margin account, which will be carried by

the clearing firm. The securities purchased in such an account are the clearing firm's collateral for its loan to you.

If those securities in a margin account decline in value, the value of the collateral supporting this loan also declines, and as a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in your account. The brokerage firm may issue a margin call and/or sell other assets in your account.

It is important that you fully understand the risks involved in trading securities on margin, which are applicable to any margin account that you may maintain, including any margin account that may be established as part of the Asset Management Agreement established between you and Marcuard and held by the account custodian or clearing firm.

These risks include the following:

- You can lose more funds than you deposit in your margin account.
- The account custodian or clearing firm can force the sale of securities or other assets in your account.
- The account custodian or clearing firm can sell your securities or other assets without contacting you.
- You are not entitled to choose which securities or other assets in your margin account may be liquidated or sold to meet a margin call.
- The account custodian or clearing firm may move securities held in your cash account to your margin account and pledge the transferred securities.
- The account custodian or clearing firm can increase its "house" maintenance margin requirements at any time and they are not required to provide you advance written notice.

You are not entitled to an extension of time on a margin call.

Concentrated or Non-Diversified Positions. For discretionary accounts, we define and apply strict concentration and diversification rules. Concentration and non-diversification pose increased risk of loss to the extent the account is more susceptible to adverse events affecting the industry or issuer in which the account is focused. Based on client instructions, we may – in exceptional cases – deviate from agreed concentration and diversification rules.

While we believe that we moderate the risk of loss of capital to some degree through a diversification of investment strategies and through selection of multiple Asset Managers, we cannot guarantee or represent that no loss of capital would occur or that clients' investment objectives will be met.

## **Item 9 – Disciplinary Information**

As an SEC registered investment adviser, we are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. No events have transpired applicable to this Item.

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

We and our related persons MFO Capital Ltd., BVI and MFO IDF I GP (BVI) Ltd. act in various roles, including sponsor, investment adviser, investment manager and general partner to the Marcuard Funds (see Item 4.B. above for more information about the Marcuard Funds). If, in our view, the Marcuard Funds provide a more efficient and effective way to diversify a client's assets, it may be appropriate for us to invest a portion of a client's account assets into one of the Marcuard Funds. See Item 11.B. below on how we address this conflict of interest.

Neither we nor any of our related persons receive additional advisory compensation with respect to a client's assets that are invested in the Marcuard Funds. Rather, those assets are subject only to the Marcuard Funds' fees and charges applicable to all shareholders of the Marcuard Funds, as set forth in the offering documents and hence fully disclosed to the client. As a result, we will indirectly receive advisory fees paid by those clients as shareholders of the Marcuard Funds which may be more or less than the client account management fees otherwise applicable to the account. See Item 11.B. below on how we address these conflicts of interest.

In addition, we select unaffiliated Asset Managers for our clients. These Asset Managers are not related to Marcuard or its affiliates and we receive no direct or indirect compensation from these Asset Managers. Our client's investment management/advisory or family office service agreements provide that they are entitled to such compensation should it occur. In exceptional cases and under full disclosure to and agreement with the client, we may collect retrocessions as part of our agreed compensation. In such a case, the advisory fee charged to the client would be reduced accordingly. See Item 5E.

Ulrich Burkhard, our Chairman, is a non-executive board member of Mymetics Corporation, a publicly-traded company in the United States. Please see Item 11.B – Code of Ethics/Related Persons – Conflicts of Interest/Outside Business Activities of this disclosure brochure for additional details regarding Mr. Burkhard's role as a board member of Mymetics.

**Item 11 – Code of Ethics****A. Code of Ethics / Personal Trading**

Under the Investment Advisers Act of 1940, Marcuard is a fiduciary to its U.S. clients and is responsible for providing fair and full disclosure of all material facts and to act solely in the best interest of each of our U.S. clients at all times. This fiduciary duty to our U.S. clients is considered the core underlying principle of our Code of Ethics ("Code") which covers our personal securities transactions and insider trading policies and procedures.

Our employees, officers and executive directors ("Staff") are subject to our Code, and their personal account trading may only be undertaken in compliance with the Code. Staff members' personal trades must be pre-cleared by Compliance, as discussed below. The Code sets standards of conduct for Staff and imposes specific requirements aimed at preventing, detecting and correcting fraudulent activity or activities that would pose a conflict of interest in connection with personal securities transactions. The Code prohibits Staff from engaging in conduct commonly known as "insider trading". Our staff is prohibited from purchasing or selling securities of companies in which any client is deemed an insider. The Code generally requires pre-clearance by Staff in "reportable securities," which include any security defined in Section 202(a)(18) of the Advisers Act.

The Code also restricts personal securities transactions by various means, such as imposing a requirement that personal investments do not interfere with our duties owed to our clients. The Code further establishes a prohibition on short selling, margin trading and over the counter transactions. These restrictions apply to all Staff.

In order to monitor compliance by our Staff with the Code and applicable law, each Staff member is required to provide us with duplicate copies of trade confirmations which are reviewed by one of our officers. Staff are also required to provide periodic personal trading reports. In addition, each Staff member is required to sign a statement to acknowledge that they understand what insider trading is, and that they will not be party to it and will adhere to the Code.

Individuals associated with us may buy or sell securities for their personal accounts identical to or different than those recommended to clients. It is our express policy that no person employed by us shall place his or her own interests ahead of those of an advisory client or make personal investment decisions based on the investment decisions made for our clients.

This is a summary description of our Code. The Code will be made available to clients upon request.

## **B. Related Person / Conflicts of Interest**

### Related Persons Invested in Same Securities as Clients

We and our Staff and members of the families of such persons may from time to time buy or own securities which are purchased or sold by or for our clients. We believe that, in the case of any such securities, the aggregate holdings of our Staff will generally constitute a small proportion relative to the total outstanding amount of the class of securities involved. Moreover, during blocking periods as described in our Code of Ethics our staff cannot purchase or sell any security for their personal accounts prior to implementing transactions for client accounts. Finally, as indicated above, we have in effect a Code intended to regulate, among other activities, securities transactions in such a manner that our primary obligation of loyalty to our clients is preserved.

### Clients Invested in the Marcuard Funds

Assets in our client's accounts may be invested in a Marcuard Fund, for which we serve as sponsor and may serve as investment adviser, MFO IDF I GP (BVI) Ltd. and MFO Capital Ltd., our affiliates, act as general partner and investment manager, and in which we have an interest and Marcuard Staff members may invest in personally. This poses a conflict of interest for us and our Staff to the extent it creates a financial incentive to increase such Marcuard Fund's assets and thereby increase the sub-advisory or other fees payable by the Marcuard Fund to us. However, we are constrained by fiduciary principles to act in our clients' best interests when managing accounts and will invest clients in the Marcuard Funds only when it is suitable to do so. All such transactions must be effected solely in accordance with provisions of our Code and are monitored on a regular basis. We also monitor activity in our clients' accounts in an effort to ensure that transactions are appropriate. As discussed, we do not charge an additional management fee for a client's assets invested in a Marcuard Fund.

### Equitable Treatment of Accounts

Since we manage multiple client accounts, we may be inclined to favor certain accounts over others, particularly if the accounts pay different fees to us or belong to specific family members. We maintain an allocation policy to ensure that client accounts within a particular investment strategy are treated fairly and equitably (i.e. no client account is inappropriately favored or disfavored over another).

Cross Trades

Cross trades may create a conflict of interest because we have a duty to obtain the most favorable price for both the selling client and the purchasing client. We do not effect cross trades, however, exceptions may occur.

Outside Business Activities

Since we permit Staff members to engage in outside business activities, there is the potential that such activities will conflict with the employee's or officer's duties to us and our clients. We require all employees and officers to disclose any outside employment to the Chief Compliance Officer, who will identify any potential conflicts. In the event that a resolution to the conflict cannot be reached, the employee or officer may be asked to terminate either his/her outside employment or his position with us.

As noted above, Mr Burkhard, our Chairman, is a non-executive board member of the Mymetics Corporation. In light of this, we will employ controls appropriate to address any conflicts of interest, that may arise, such as abstain from meetings, monitoring communications, not exercising discretion to permit our clients to buy or sell the securities of such company, imposing information barriers to prevent any information that Mr Burkhard may have on this company from passing to Staff, or controls reasonably designed to prevent the misuse of any information that Mr Burkhard may have regarding this company or that raise other conflicts of interest.

Gifts and Entertainment

Our Staff members may periodically give or receive gifts or entertainment from third parties, including clients. Any gift or entertainment given or received is recorded as outlined in our Compliance Manual and may be declined if the giving or receiving is improper or raises a conflict of interest.

Reporting Illegal or Unethical Behavior

Unethical or illegal conduct on the part of Staff members can damage our ability to meet our fiduciary duties to clients. Our Compliance Manual, and in particular our Code, states our policies on various business conduct issues. Staff members are required to report to management any actual or suspected illegal or unethical conduct on the part of other Staff members of which they become aware or any situations in which they are concerned about the "best course of action." We view seriously any violation of our Compliance Manual. Disciplinary sanctions may be imposed on any Staff member committing a violation of our Compliance Manual. Marcuard's Compliance Manual and Code of Ethics are available to clients upon request

Managing Conflicts of Interest, Generally

Notwithstanding these various conflicts of interest, as fiduciary we act in our clients' best interests when managing accounts and advising clients and will recommend that clients invest in various investments or programs only when it is suitable for them to do so. We monitor activity in our clients' accounts in an effort to ensure that investments are appropriate.



## **Item 12 – Brokerage Practices**

### **A. Brokerage Partners and Best Execution**

We provide assistance to our clients in the custodian selection process and custody fee negotiation process. While we do not receive any economic benefit in exchange for our recommendations, certain custodians make available research and brokerage services to us or subsidize some of our office infrastructure (see below under B. Soft Dollars).

When we are retained to manage client accounts on a discretionary basis, we place orders by entering them into an electronic order system operated by the entities where our clients hold their assets or, when permissible, directly with the trading divisions of those firms or with independent brokerage firms (The practice of placing orders directly would change or cease if doing so creates or imposes any regulatory, tax, legal or compliance risk to our clients.) The trading divisions are segregated from all other areas of such entities by information barriers imposed by relevant requirements. We require the entities with which we place orders to give us best execution.

We do not accept client orders to buy or sell securities.

Best execution is the process of seeking the best price available to our clients and does not necessarily mean achieving the lowest possible price or transaction cost. In determining whether a broker is providing reasonable service to our clients, we will consider a variety of factors, such as: price, costs, speed, prompt execution, likelihood of execution, likelihood of settlement, size of the trade, nature of the trade, and any other factor relevant to the execution of the order.

Clients are allowed to select the custodian that will be used for their accounts. Clients directing the use of a particular custodian must understand that we may not be able to obtain the best prices and execution for the transaction. Under a client-directed brokerage arrangement, clients may receive less favorable prices or commissions than would otherwise be the case if the client had not designated a particular custodian.

In the case of client assets invested with the Asset Managers, we have no control over their selection of brokers.

### **B. Soft Dollars**

While we do not have in place any formal “soft dollar” arrangement with any broker, nor do we utilize client commissions to obtain products, services or other economic benefits, consistent with practice in Switzerland certain custodians do provide us with research products and services or subsidize certain components of our office infrastructure. Among these items provided or paid for by a custodian is a terminal and data access to Bloomberg L.P.’s financial market services, and a printer.

These items are generally available to independent Swiss investment advisers like Marcuard at no charge to them and are not contingent upon committing to such custodians any specific amount of business, assets in custody or trading activity. Many of these items are used to service all or a substantial number of our clients’ accounts, including accounts not maintained at the custodians who provide the products and services. However, the custodians may also provide us services intended to help Marcuard manage and further develop our business, but not necessarily benefit a particular client, such as consulting, publications and conferences on practice management, information technology, regulatory compliance and marketing.

To mitigate the conflict of interest presented by this arrangement, we attempt to act in the client's best interest and provide clients with objective data upon which to base their decision concerning custodial selection, if such information is sought by a client. Clients are under no obligation to act upon Marcuard's recommendation regarding custodians.

More information about specific research items we may receive is in Item 14, below.

### **C. Aggregate Trade Allocation and Trade Errors**

We will execute transactions on an aggregated basis only when we believe this will allow us to obtain best execution and negotiate more favorable commission rates or other transaction costs than what might have otherwise been paid had such orders been placed independently. When aggregating orders, the clients involved will be treated in a fair and equitable manner. No account will be favored or disfavored over any other client account. The allocation of an aggregated order to a client account is generally determined and recorded before the order is placed and the order is filled on the basis of this pre-trade allocation. Any additional information is available upon request.

Consistent with our fiduciary duties, our policy is to exercise care in making and implementing investment decisions for our client accounts. We have a trading errors policy. To the extent trading errors occur, we seek to ensure that clients' best interests are served. Our policy is to resolve all trade errors within a reasonable time while ensuring the client is not disadvantaged, consistent with the orderly disposition (and/or acquisition) of the securities in question. In all situations where the client does not cause the trade error, actual losses suffered by a client account as a result of a trade error caused by us will be reimbursed by us; however, we do not compensate our clients for lost investment opportunities (i.e., a failure to take advantage of investment or market improvements). If an investment gain results from the trade error caused by us, the gain remains in the client's account unless the same error involved other client account(s) that should also/instead receive the gains. Marcuard may also confer with a client to determine if the client should forego the gain (e.g., due to tax reasons). Marcuard will never benefit or profit from trade errors.

## **Item 13 – Review of Accounts**

### **A. Frequency of Reviews**

Our Portfolio Managers and Relationship Managers review each client account on a monthly basis to determine, among other things, whether each account is appropriately positioned and whether investment objectives and restrictions are being followed. Accounts are also reviewed monthly for compliance matters.

We monitor the portfolio of the Marcuard Funds for which we have advisory responsibilities to determine whether assets are being invested in accordance with applicable objectives and restrictions. Reviews are undertaken via monthly reports on the status of the portfolios.

### **B. Written Reports**

Our investment advisory and family office clients receive investment reports on a monthly basis, based on Marcuard's reporting tool. The clients typically also receive a monthly profit and loss analysis from Marcuard. Our investment advisory and family office clients receive investment reports (portfolio valuation including account statements) on a monthly or quarterly basis directly from the custodian. Deviations between the valuations of the custodian and Marcuard may occur based on different issue dates and/or different price sources. Clients are encouraged to always compare any reports or statements provided by Marcuard against the account statements delivered from the

custodian. When you have questions about your account statement, you should contact our firm and the custodian preparing the statement.

Marcuard Funds under our management receive account statements directly from the qualified custodians holding the clients' portfolio accounts or its third-party administrator. In addition, Marcuard and/or MFO Capital Ltd. may prepare and distribute reports detailing the prior performance of the Marcuard Fund. Please refer to Item 15 – Custody of this Disclosure Brochure for a description of the reports provided to all the Fund investors.

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

While we may receive research and brokerage services from custodians that we recommend to our clients, this economic benefit is not given in exchange for our recommendations.

Such research products and services may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors, market, financial and economic studies and forecasts; statistical and pricing information and services; discussions with research personnel along with hardware, software, databases and other technical and telecommunication services and equipment used in the investment management process; computers or terminals, computer databases and quotation equipment, in each case, to access research or which provide research directly, research concerning market, economic and financial data; data on pricing and availability of securities; financial publications; electronic market quotations; performance measurement services.

We enter into contractual agreements with third-parties worldwide to enlarge our business activities. In accordance with these agreements, we pay remuneration in percentage of the management fees earned on a specific client account in exchange for introducing this non-U.S. client. We do not currently having any solicitor arrangements with third-parties for the referral of U.S. persons.

Marcuard may from time to time receive expense reimbursement for travel expenses from custodians and/or Asset Managers. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by custodians and/or Asset Managers. Although receipt of these travel expense reimbursements are not predicated upon specific sales quotas, the custodians and/or Asset Managers are typically made by those custodians and/or Asset Managers for which sales have been made or for which it is anticipated sales will be made. This creates a conflict of interest in that there is an incentive to recommend certain custodians and/or Asset Managers based on the receipt of this compensation instead of what is in the best interest of our clients. We attempt to control for this conflict by always basing investment decisions on the individual needs of our clients.

#### **Item 15 – Custody**

With respect to investment advisory and family office services (except as explained below regarding Marcuard Funds), we do not have physical custody of client assets at any time. The physical custody of client assets is with the qualified custodian selected by the client. However, since the investment advisory fee of Marcuard may be deducted automatically from a client account, the SEC deems this control over a client's account as custody. Therefore, Marcuard has established the following procedures to comply with the SEC's custody rule.

- All client funds and securities are held at qualified custodians in a separate account for each client under that client's name.
- Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained.
- Account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from Marcuard. When clients have questions about their account statements, they should contact Marcuard or the qualified custodian preparing the statement.

With respect to the Marcuard Fund available to U.S. resident investors the situation is as follows:

MFO IDF I GP (BVI) Ltd. serves as the general partner of MFO IDF I (BVI), L.P. and, as such, has access to MFO IDF I (BVI), L.P.'s assets and holdings. MFO IDF I GP (BVI) Ltd. is a wholly owned subsidiary of MFO Capital Ltd., BVI, which is a wholly owned subsidiary of Marcuard.

MFO IDF I (BVI), L.P.'s accounts are maintained at all times with qualified custodian(s) such as a (1) a state or nationally chartered bank, (2) registered broker/dealer; or (3) other financial institution that provides qualified custodian services and meets requirements for serving as a qualified custodian under federal securities laws.

MFO IDF I (BVI), L.P. provides all its U.S. resident investors with notice of the qualified custodian that is holding MFO IDF I (BVI), L.P.'s accounts. Additionally, MFO IDF I (BVI), L.P. will engage a public accounting firm to audit the private fund at least annually and audited financial statements (prepared in accordance with generally accounting principles) are distributed to all U.S. resident investors within 120 days after the end of MFO IDF I (BVI), L.P.'s fiscal year (December 31).

## **Item 16 – Investment Discretion**

With respect to investment advisory and family office services, we generally obtain limited discretionary authority over a client's account through investment management or family office service agreements to determine securities or investment opportunities to be bought or sold and the timing and quantity of such investments and to determine and act upon other relevant factors. However, a client will have the ability to place reasonable restrictions on the types of investments that may be purchased in the account so long as the limitations are specifically set forth or included as an attachment to the client agreement. Clients must generally also complete an authorization form and/or Limited Power of Attorney document provided by their custodian bank before we may provide discretionary advisory services. Our investment discretion may be limited by investment objectives of the client, such as stated risk tolerance, reference currency, time horizon, strategy, and if applicable, restrictions specific to the account as established at the inception of the adviser-client relationship (as amended from time to time) in the investment management/advisory agreement and/or family office service agreement.

With respect to MFO IDF I (BVI), L.P. where Marcuard serves as the sub-advisor, Marcuard has discretionary authority to manage securities accounts owned by MFO IDF I (BVI), L.P. Marcuard has the authority to determine the type of securities and the amount of securities that can be bought or sold for MFO IDF I (BVI), L.P.'s portfolio. This means Marcuard can buy and sell investments without prior consultation or approval from MFO IDF I (BVI), L.P. or any of its limited partners.

In addition, our wholly owned subsidiary, MFO Capital Ltd., has discretionary authority to select brokers, dealers, banks, financial institutions, counterparties, custodians and other intermediaries by or through whom any transactions will be executed or carried out from time to time and open, maintain and close accounts with such entities. As part of this responsibility, MFO Capital Ltd. has the ability to negotiate certain expenses imposed by such financial institutions.

**Item 17 – Voting Client Securities**

We do not act as custodian or as nominee/trustee for our US resident clients. Clients will receive proxy notices from the client account's custodian. In exceptional cases, clients may instruct us to exercise voting rights on the basis of a written instruction. A proxy voting policy ensures that proxies are voted in the best interest of our clients which is available upon request.

**Item 18 – Financial Information**

We do not have any adverse financial information to disclose, nor are we required to provide a balance sheet under this Item. The management of Marcuard believes that we are financially sound.