

## **Merrion Investment Management Co, LLC**

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**This brochure provides information about the qualifications and business practices of Merrion Investment Management Co., LLC. If you have any questions about the contents of this brochure, please contact us at the phone number listed above.**

**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. Please note, where this brochure may use the terms "registered investment adviser" and/or "registered", registration itself does not imply a certain level of skill or training.**

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

## **Item 2 Material Changes**

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since our last annual updating amendment dated March 6, 2018 there are no material changes to report.

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## **Item 4 Advisory Business**

### **Investment Advisory Services**

Established in 2006 as a wholly owned subsidiary of Merrion Financial Group, LLP ("MFG"), Merrion Investment Management Co, LLC, ("MIMCo") provides investment advisory services to clients on a discretionary and non-discretionary basis. Client accounts are managed according to the stated goals and objectives of each client, their liquidity needs, risk tolerance, and with respect given to any tax and/or legal implications. Portfolio investments primarily consist of exchange traded equity and fixed income securities.

MIMCo also provides clients with four customized market-linked investment strategies, which are offered under the name Merrion Alternative Investments. They include: (1) Conservative Strategy; (2) Moderate Strategy; (3) Reduced Capital-at-Risk Strategy; and (4) Enhanced Strategy. These strategies utilize exchange traded funds ("ETFs") and listed options to mitigate downside market risk and/or enhance upside equity returns in separately managed accounts.

MIMCo will honor any reasonable investment restrictions on investing in certain securities or types of securities imposed by the client in writing. MIMCo's clients are predominately individuals, family trusts and non-profit organizations.

As of December 31, 2018, MIMCo managed \$112,871,481 in discretionary client assets.

## **Item 5 Fees and Compensation**

### **Investment Advisory Services**

For its individually managed accounts, MIMCo charges a management fee on a percentage basis, derived from the assets under management. The fee structure is expressed on an annualized basis with fees being collected quarterly in advance. Fees are deducted from the client account by the qualified account custodian, pursuant to written authorization by the client, and payment of the fee is reflected in the custodian's statement. Fees are charged in advance based on the market value of assets on the last trading day of each prior calendar quarter. In any partial calendar quarter, fees are prorated based on the number of days in which the account is open during the quarter.

Investment management fees are typically 1% of assets under management. These fees may be negotiable under certain circumstances, at the sole discretion of the firm. Where clients may incur additional expense from brokerage-based activities, clients should be aware that all custodial and execution fees remain separate and distinct from those fees charged by MIMCo for its asset management services.

MIMCo and/or clients may terminate the account agreement, in whole or in part, at any time with 30 days written notice. Upon termination, any fees paid in advance will be prorated to the date of termination and any excess shall be refunded to clients. Client agreements with MIMCo remain non-transferable unless consented-to in writing by the client.

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

The nature of MIMCo's advisory services does not incorporate or invite the charge of any fee based upon a percentage of capital gains within a client's account. Where certain advisers may manage private funds or other incentive-based accounts in addition to those accounts charged a base fee, such firms are said to have an incentive to favor those incentive-based accounts. MIMCo does not currently manage accounts subject to the implementation of any incentive or performance-based fees. In addition, firm policy requires personnel to treat each account equally. As reflected within the firm's Code of Ethics, this policy is acknowledged by firm personnel and enforced by firm management.

Please see Item 11 for further information about the firm's Code of Ethics.

## **Item 7 Types of Clients**

MIMCo investment management services are primarily offered to individuals, family trusts, and non-profit organizations. MIMCo also offers investment management services to pension and profit sharing plans, corporations, investment advisers and institutional investors. Due to the nature of the firm's investment strategy, the firm prefers that investment management clients maintain a minimum relationship size of \$250,000.00. However this minimum remains negotiable at the sole discretion of the firm.

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

MIMCo gathers in-depth research prepared internally and/or provided by third parties to make assessments about the marketplace in general. MIMCo is a research-based asset manager who believes solid research is fundamental to sound investment decisions. The investment team gathers in-depth, first-hand information on markets and companies in order to determine differences between the intrinsic value of a company and its price in the marketplace. The primary risks in using this method of analysis include the risk that information upon which we rely may be incorrect, or be amended after our reliance upon it, or the risk that our determination of a company's intrinsic value is overestimated or underestimated.

The firm typically invests in companies that have a new product or service, or those that are in a position to benefit from some change in the economy, an industry transformation, changing laws or regulations, a new technological development, or those that are experiencing some other "special situation" that makes them undervalued relative to their long-term potential.

Once the risk and return landscape, as well as potential catalysts, are understood, MIMCo determines the appropriate part of the capital structure in which to invest. The firm's investment committee reviews such information to make sound investment decisions. Such decisions are made with respect to pricing, risk, and long term growth. Investing itself carries a certain degree of risk that clients should be prepared to bear. Clients are strongly encouraged to review all disclosure materials with respect to their investment accounts.

In addition to its research-based asset management, MIMCo also offers four market-linked strategies that allow clients to customize the risk-return profile on standard long-equity investments. These strategies, which are offered under the name Merrion Alternative Investments, are as follows:

- **Conservative Strategy:** The goal of this strategy is to protect clients against market losses in a specific underlying equity beyond a specific threshold while also allowing for appreciation to a capped level.

- **Moderate Strategy:** Clients participating in this strategy seek a specific level of "first loss" market risk protection while also benefiting from leveraged appreciation to a capped level.
- **Reduced Capital-at-Risk Strategy.** This strategy is designed to provide clients with potential appreciation on their full investment amount to a capped level while limiting downside market risk to a fraction of their investment.
- **Enhanced Strategy:** This bullish strategy's goal is to provide clients with leveraged upside participation in a specific underlying equity to a capped level and returns equal to the underlying equity in declining markets.

Once the client's risk-return parameters are fully understood with respect to a specific underlying equity, MIMCo implements a strategy consisting of two components: 1) one or more ETFs; and 2) exchange-traded listed options.

An investment in an ETF exposes shareholders to three key risks. The first is default and dividend risk on each individual issuer within the fund's portfolio of securities. In addition, ETFs are subject to market risk to the extent that the underlying fund is liquidated at a future date. Lastly, ETF shareholders are subject to a pro rata portion of portfolio fees, expenses, and taxes on fund-level capital gains.

To achieve its customized strategies, MIMCo will also buy and sell listed options referencing specific equity securities. Such option purchases and sales may be used to limit losses in the underlying security or participate in upside performance. Loss of principal in options transactions may involve: 1) loss of premium if purchased options expire unexercised; 2) loss of principal if the underlying security depreciates beyond a pre-defined threshold; or 3) opportunity cost if the underlying appreciates above a pre-defined level.

Risk of loss in any tailored strategy is a function of the performance of these components.

## **Item 9 Disciplinary Information**

Rule 206(4)-4 of the Investment Advisers Act of 1940 requires investment advisers to provide clients with disclosure as to any legal or disciplinary activities deemed material to the client's evaluation of the adviser. Please note, neither the firm nor its personnel have any disciplinary, regulatory, criminal, civil, or otherwise reportable history to disclose at this time.

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

MIMCo's management persons and its investment adviser representatives are also registered representatives of Merrion Securities, LLC, a FINRA registered broker-dealer.

MIMCo has a services agreement with Merrion Securities, LLC under which it pays Merrion Securities, LLC for facilities and for professional and administrative services. MIMCo's management persons and investment adviser representatives are compensated by Merrion Securities for their services provided under this agreement.

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

MIMCo and/or its representatives may purchase or sell investments for their personal accounts that they have similarly recommended to clients. Pursuant to Rule 204A-1 of the Investment Advisers Act of 1940, MIMCo has adopted a Code of Ethics that sets forth the basic policies of ethical conduct for all managers, officers, and employees of the firm. The Code of Ethics describes the firm's fiduciary duties and obligations to clients, and sets forth the firm's practice of supervising the personal securities transactions of employees who maintain access to client information.

MIMCo collects and maintains records of securities holdings and transactions made by employees. The firm reviews the personal trading practices of its employees to identify and resolve any potential or realized conflicts of interest. A copy of MIMCo's Code of Ethics is available upon request.

## **Item 12 Brokerage Practices**

MIMCo may recommend the use of a particular broker-dealer, including its affiliate, Merrion Securities, LLC ("Merrion Securities"), for the execution of client transactions. Clients may direct MIMCo to use a brokerage firm other than those recommended by MIMCo. Clients who direct MIMCo to use another brokerage should be aware that such direction may cost the client more money, and the client may pay higher commissions as MIMCo may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable pricing. Clients should note that our affiliated broker-dealer may charge more or less than other broker-dealers offering similar services.

In recommending its affiliated broker-dealer, MIMCo may consider number of factors, including: the overall direct net economic result to the client account; the financial strength, integrity, and stability of the executing broker; the ability to achieve prompt and reliable execution at favorable prices; operational efficiency with which the transaction is expected to be effected; the quality and frequency of available research and related services considered to be of value; the ability to effect the transaction where a large block or other complicating factors are involved; and the availability of the executing broker to stand ready to execute possible difficult transactions in the future.

The firm and its personnel stand to benefit monetarily based upon the affiliated broker-dealer's trading activity. Where clients pay a fee to MIMCo, they will also be charged for each trade and incur additional expenses via their relationship with the broker-dealer. Commissions for the affiliated broker-dealer are disclosed to the client, and agreed upon in the execution of the Investment Advisor Agreement.

Certain orders placed for clients in fixed income securities may be executed as riskless principal transactions at the affiliated broker-dealer. Merrion Securities, after having received an order from MIMCo to buy (sell) a security, acquires (sells) that security in the market, generally through another broker-dealer. Merrion Securities charges a markup (markdown) on the trade as compensation for executing the transaction. Merrion Securities does not hold inventory, does not make markets, and does not sell to clients securities for which it holds a principal interest.

On occasion, to facilitate customer orders, the firm may engage in certain transactions wherein the securities involved originate from accounts held by other clients of the firm, or from accounts held by clients of the affiliated broker-dealer. Such transactions are commonly known as agency cross transactions. It is the policy of MIMCo and Merrion Securities to not charge any commissions or markups for these transactions. All transaction activity is included in the participating clients' confirmations and account statement(s).

MIMCo does not maintain any soft dollar arrangements.

MIMCo will generally aggregate orders when placing client transactions through Merrion Securities. When orders are aggregated, the price paid by each account is the average price of the order. It is the firm's policy that trades are not allocated in any manner that favors one group of clients over another.

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

All accounts are monitored on an on-going basis by the Portfolio Manager. Accounts will be reviewed more frequently as necessary to respond to significant changes in client circumstances or changes in market conditions. Triggering factors to warrant more in depth review could include the following:

- awareness of a change in a client's investment objective;
- change in market conditions;
- change in client's employment status;
- re-balancing of assets to maintain proper asset allocation; or
- other activity discovered as the account is normally reviewed.

Clients are encouraged to notify the firm with changes to their personal finances, especially where such changes that might adversely affect the overall investment strategy. MIMCo will provide quarterly holdings reports in addition to the monthly statements received from the broker-dealer or custodian. The reports will generally include a portfolio appraisal, realized and unrealized gains/losses, income and expenses, contributions and withdrawals, and a performance summary. Clients are encouraged to compare the statements received from MIMCo to those received from the account's qualified custodian and immediately report any unexplained differences to MIMCo and/or the custodian, as appropriate.

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

Where the firm may utilize the services of certain individuals/entities for the referral of new clients and prospects, the firm has implemented procedures to ensure that the client/prospect has been provided with adequate disclosure regarding any compensation such referral agents might receive from the firm.

Accordingly, each referral agent is required to disclose that they serve as a solicitor for MIMCo and that there is a compensation arrangement in place for that referral. Each prospect/client will be required to acknowledge in writing that they have received copies of a solicitor's disclosure statement and the firm's Form ADV Part 2 disclosure brochure (this document).

Please note: there is no increase in fee to cover the cost of such referral arrangements. Clients will remain subject to the fee schedule reflected in Item 5 of this brochure.

While MIMCo may compensate its employees and/or employees of its affiliated broker-dealer for client referrals, MIMCo does not have any active third-party referral or solicitation arrangements at this time.

### **Item 15 Custody**

Other than the client authorized direct deductions of fees from accounts, MIMCo does not maintain or accept custody of client funds or securities.



## **Item 16 Investment Discretion**

MIMCo maintains discretionary authority over the selection and amount of securities to be bought or sold in client accounts without obtaining prior consent or approval from clients. However, these purchases or sales are subject to specified investment objectives, guidelines, or limitations previously set forth by the client and agreed to by the firm.

For some client accounts, MIMCo does not exercise discretion. In such cases, any purchases and/or sales within the account are subject to specified investment objectives, guidelines, and/or the stipulated limitations previously set forth by the client, and the client must approve any transaction prior to execution. All terms and conditions with respect to the management of client funds are stated within the client agreement.

## **Item 17 Voting Client Securities**

MIMCo has adopted and implemented written Proxy Voting Policies and Procedures ("Proxy Voting Procedures"). Within MIMCo's fiduciary obligation to clients, the firm must ensure that any proxies for which it has voting authority are voted solely in the best interests, and for the exclusive benefit of the client.

The Proxy Voting Procedures are intended to guide the firm and its personnel in ensuring that proxies are voted in such manner without limiting the firm or its personnel in specific situations to vote in a predetermined manner.

These policies, designed to assist the firm in identifying and resolving any conflicts of interest with regard to voting client proxies, direct the CCO to make the voting decision wherever a material conflict of interest has been identified. The CCO shall use discretion in determining whether further discussion and/or approval by supervisory personnel is warranted before making the Voting Decision. Each of the firm's clients with a voting authority account will be informed, upon request, as to the voting decision taken on any proxy solicited. This information may be included in other information being sent to the client by the firm or the account custodian.

Clients may direct the firm's vote for a particular situation by contacting the firm directly.

A copy of the firm's Proxy Voting Policies and Procedures may be obtained upon request.

## **Item 18 Financial Information**

Pursuant to Rule 206(4)-4 of the Investment Advisers Act of 1940, investment advisers are required to disclose certain information about their business practices that might serve as material to the client's decision in choosing an investment adviser. As of the date of this filing, MIMCo does not require the pre-payment of more than \$1,200 in fees per client, six months or more in advance, nor maintain any financial hardships or other conditions that might impair its ability to meet its contractual obligations to clients.