

# **Form ADV Part 2**

## **BROCHURE**

### **MARSTONE, LLC**

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March 30, 2020

This brochure provides information about the qualifications and business practices of Marstone, LLC (“Marstone”), an SEC-registered investment adviser firm, wholly owned by Marstone, Inc. Registration does not, and should not, imply a certain level of skill or training, but only indicates that Marstone has registered its business with state and federal regulatory authorities, including the United States Securities and Exchange Commission (“SEC”).

If you have any questions about the content of this brochure, please contact us at (212) 203-7790. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

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

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### **MATERIAL CHANGES**

The following changes have occurred since the last annual amendment filing in 2018:

There have been no material changes since the above-referenced annual amended filing.

Clients are encouraged to review this brochure. Please contact the Marstone, LLC New York Office at (212) 203-7790 with any questions.

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## **SERVICES, FEES AND COMPENSATION**

### **Background**

Marstone, LLC (“Marstone” or the “Firm”) is a digital investment advisory firm registered with the United States Securities and Exchange Commission (“SEC”). Marstone is a privately held company owned by Marstone, Inc. that has been in business since 2012.

Marstone provides online financial advisory services through a secured website: [www.marstone.com](http://www.marstone.com) creating investment plans and portfolio management strategies to meet clients’ financial objectives, including identifying:

- Investment objectives and risk tolerance;
- Indexed asset classes in which to invest;
- Efficient investment allocation to meet client objectives; and
- Appropriate times to re-balance client portfolios in effort to optimize return for clients’ stated objectives and risk tolerance.

Marstone will seek detailed information from clients and its advisor to evaluate investment objectives, risk tolerance and suitability considerations. The Firm will help clients invest in a well-diversified portfolio of exchange traded funds or similar classes of assets that may include exposure to stock market holdings for long-term returns, fixed income securities for steady income, real estate and commodities for diversification and inflation protection, and cash-equivalent investments such as money market funds. Based on client investment objectives, Marstone will recommend customized solutions to meet individualized, particular client needs.

### **Services & Fees**

Marstone offers investment account management services to clients on a discretionary basis acting either as an advisor or sub-advisor. The accounts established by Marstone will be maintained at the Firm’s custodian(s), currently through Pershing Advisor Solutions, LLC (“Pershing”). Marstone’s fees (the “Monthly Fee”) will be based on the market value of a client account’s assets under management determined on the last business day of the previous monthly period, and will become due the first day of the new business month.

Marstone clients shall receive investment advisory services as identified herein in consideration of the Monthly Fee. The terms and conditions for client participation are set forth in this Brochure.

Marstone has entered various advisory agreement to provide digital advice to clients for which its advisory fee shall, generally, range from .45% to .75% annually, depending on, in part, services provided by Marstone and whether such services are direct to customer or serving in sub-advisor capacities. Details of specific fees shall be detailed in the applicable investment advisory agreement. Advisory service fees, expressed a Monthly Fee, shall be calculated by multiplying the market value of the assets under management in the account at the end of the preceding month.

Employer-sponsored retirement plan clients or sub-advised clients may experience an additional fee depending on the size of the plan. Any such fees should be investigated before investing. All such fees will be identified in Marstone any investment advisory agreement.

The period for which the initial Monthly Fee will be calculated will run from the day Marstone begins management of the client's account through the last business day of the current calendar month, which shall be prorated for any portion of the initial calendar month during which the account was managed. If clients subsequently contribute capital to or withdraw assets from their account, the account will be charged a prorated portion of the Monthly Fee to the date of the transaction.

If necessary, Marstone may direct the sale of securities sufficient to pay the Monthly Fee. Any fees or charges may be changed, waived or reduced at Marstone's sole discretion for any period of time and for any account.

Marstone is a fee-only investment advisor. Neither the Firm nor its employees receive any direct or indirect compensation related to investments that are purchased or sold for clients.

### **Billing Methods**

Clients will authorize Marstone to deduct advisory fees from client accounts held at its partner custodians/ custodial broker-dealers. It is Marstone's policy to bill managed accounts in arrears.

### **Other Fees and Expenses**

In addition to the fees charged by Marstone, each exchange traded fund ("ETF") company in which a client's funds may be invested, charges fees paid by the investors that are deducted from the ETF's assets ("Management Fees"). These Management Fees pay for the management and investment advisory services of the ETFs. The fees are categorized as annual operating expenses. Management Fees are disclosed in each ETF prospectus and, typically, are less than 0.5%. Marstone clients are encouraged to consult each individual prospectus to become familiar with such Management Fees.

Marstone does not currently charge clients for costs associated with the closing of their accounts. As with other fees, Marstone reserves the right to change its fee charges or policies as it deems necessary.

### **Other Terms & Conditions**

Marstone clients and sub-advisory clients will be required to enter into a *Client Services Agreement* setting forth the terms and conditions under which Marstone shall manage the client's assets, and a separate custodial/clearing agreement. Both Marstone's *Client Services Agreement* and the custodial/clearing agreement authorize the custodian to debit the client's account for the amount of Marstone's investment advisory fee and to directly remit that fee to Marstone. The *Client Services Agreement* between Marstone and the client will continue in effect until formally terminated by either party. In the event the client terminates Marstone's services, the balance of any unearned fee, if any, shall be refunded to the client.

### **Research and Other Soft Dollar Benefits**

Marstone does not engage in soft dollar benefit arrangements. Marstone does not use client brokerage commissions (or markups or markdowns) to obtain research or other products or services.

## **ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

Marstone offers investment advisory services to individuals in their personal and individual retirement and self-employment accounts, and to institutions, or their individual clients, via sub-advisory agreement.

### **Minimum Account Balance**

Generally, Marstone will require a minimum client investment of \$5,000.00 in order to be accepted on an individual basis at the discretion of Marstone, or other minimums as established by the platform sponsor in sub-advisory relationships, which shall be fully disclosed.

## **PORTFOLIO MANAGER SELECTION AND EVALUATION**

### **a) Advisory/Investment Management Services**

Marstone will seek detailed information from you through its interactive website to evaluate your investment objectives, risk tolerance and suitability considerations. With this information, we will help you invest in a well-diversified portfolio of index funds (principally ETFs) that may include exposure to stock market holdings for long term returns, fixed income securities for

steady income, real estate and commodities for diversification and inflation protection, and will likely include some allocation to cash-equivalent investments such as money market funds. Based on your investment objectives and Marstone's resulting recommendations, Marstone will customize specific solutions suitable to meet your stated needs and goals.

**b) Performance Based Fees**

Marstone does not charge clients performance fees.

**c) Methods of Analysis, Investment Strategies and Risk of Loss**

This section discusses the way Marstone analyzes securities investments, the investment strategies that we use to suggest investments for clients and the risk of loss that clients may incur in making investments. Marstone utilizes risk and market analysis and investment strategies, including but not limited to charting the fundamental, cyclical and technical, in formulating investment advice and/or managing assets. Marstone recommends ETFs in client portfolios that may include, but are not limited to, exposure to individual stocks, individual bonds, or other instruments.

The investment strategies that Marstone may use to implement any investment advice to clients includes long-term and short-term purchases. There is always some risk connected with any type of investment, including market volatility, regulatory, interest, domestic and global market disruption, and tax consequence risk. There is a risk of loss of principal and also risk of loss of purchasing ("buying") power. Investing in any security involve risk of loss that clients should be prepared to bear.

Marstone does its best to help clients mitigate these risks over time. One way to lessen risk is to diversify investment portfolios so that when some fall in value, others may rise in value. Investing in index products is one way to spread such risk. The following is a discussion of some types of risk that clients may encounter in securities investing:

Individual strategies will vary according to the client's stated objectives. Portfolios are structured not only to meet current needs, but also to fulfill long-term goals. Most investments are intended to be long-term unless specific circumstances or objectives warrant short-term time horizons. Marstone may not be the appropriate vehicle to achieve short-term gain.

A general objective common to almost all portfolios is to maximize total return within the constraints of prudent risk taking and according to the client's ability and willingness to accept risk. Marstone investment philosophy is generally a buy and hold strategy. Marstone will engage in periodic rebalancing to maximize such returns, but clients are strongly encouraged to routinely revisit their risk tolerance and make any changes to their investor profiles that might impact their evolving investment strategies or objectives.

#### Risk Considerations

Risk considerations generally include market, liquidity, technology, advisory, volatility, credit, regulatory and monetary risks.

The objective of the advisor is to develop efficient portfolios which distribute assets among investment categories to achieve an appropriate rate of return, over time, while controlling risk within the client's tolerances.

#### **d) Voting Client Securities**

As Marstone's portfolios will likely consist entirely of ETFs, clients will not, generally, have the ability to vote proxies for the underlying securities. The responsibility for voting proxies on individual securities is that of the fund manager, and neither Marstone, nor its clients, will have the ability to vote.

In the event, Marstone has the ability to vote proxies for the ETFs themselves, it reserves the right to do so on behalf of Marstone's clients. In such event, Marstone will timely provide clients notice of such rights, but Marstone may not be able to vote the proxies themselves, but may submit their comments to Marstone for voting consideration, if any. Any standing known right to vote such interest will be timely provided.

#### **CLIENT INFORMATION PROVIDED TO OTHER PORTFOLIO MANAGERS**

Marstone currently provides all portfolio composition decisions. Though Marstone may utilize other portfolio manager services to optimize platform performance, no specifically-identifying client information is provided to any other portfolio manager.

#### **CLIENT CONTACT WITH PORTFOLIO MANAGERS**

Marstone clients have continual contact with Marstone's portfolio management, or in the case of sub-advisory relationships, through the client's primary advisor. Clients using Marstone's digital platform through engagement with a principal advisor will still maintain its client contact through that advisor. Marstone, however, will be available to resolve any issue identified by principal advisor to ensure management of their accounts consistent with investors' stated objectives.

#### **ADDITIONAL INFORMATION**

##### **a) Disclosure Information**

Marstone, and its investment personnel, **have not been** convicted of, nor have they pled guilty or *nolo contendere* ("no contest") to, been named, charged or been the subject of any order or



judgment by any court of competent jurisdictions, SEC or any Self Regulatory Organization (e.g., FINRA), or state regulatory authority for any of the following offenses:

- investments or investment related business;
- fraud, false statements or omissions;
- violation of any investment related statute or regulation or SRO rules;
- wrongful taking of property, bribery, perjury, forgery, counterfeiting; and
- extortion or conspiracy to commit any of these offenses.

In addition, Marstone and its personnel **are not** the subject of any pending matters in connection with any of the above-identified offenses.

**b) Other Financial Industry Affiliations**

Marstone maintains various industry-standard business relationships and agreements with institutions which may offer EFT products, or individual holdings therein, but does not have financial industry affiliations that would cause a conflict of interest with its business activities.

**c) Code of Ethics, Participation in Client Transactions and Personal Trading**

Marstone, or related persons, may own an interest in, or buy and sell for their own account, the same securities that may also be held, purchased or sold in client accounts. However, in all cases, clients' orders are given priority. In no case shall the adviser or associate receive a better price or more favorable circumstance than a client. In some cases, the adviser may buy or sell a specific security for their own account, which the adviser does not consider appropriate for client accounts.

Marstone has implemented a Code of Ethics which serves to establish a standard of business conduct for all of Marstone's Associated Persons that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, Marstone also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Marstone or any person associated with Marstone.

Marstone has adopted procedures to implement the Firm's policy on personal securities transactions and reviews to monitor and ensure the Firm's policy is observed, implemented properly and amended or updated, as appropriate.

**d) Review of Accounts**

Account reviews are conducted on an ongoing basis by Marstone's Portfolio Manager, Christopher LeVine, and/or his designee(s). All investment management clients are required to

keep Marstone informed via the web portal regarding their investment objectives, needs and goals and any changes regarding same.

**e) Client Referrals and Other Compensation**

Marstone, may in the future, but does not currently receive any compensation from any Referral Agreements.

**f) Financial Information**

Based upon Marstone's business practices, use of a qualified custodian and advisory fee procedures, the SEC does not require the disclosure of other financial information. Please be advised, however, that there are no known financial conditions that would impair Marstone's ability to meet contractual commitments to clients.