

## **Martlet Asset Management, LLC**

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March 16, 2020

### **Brochure**

Pursuant to Part 2A of Form ADV

This brochure provides information about the qualifications and business practices of Martlet Asset Management, LLC. If you have questions about the contents of this brochure, please contact us at [info@martletasset.com](mailto:info@martletasset.com) or 949-524-4800.

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.

In this Brochure, Martlet Asset Management, LLC is referred to as a registered investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). SEC registration does not imply a certain level of skill or training.

Additional information about Martlet Asset Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2.           Material Changes**

This is the annual update to the Martlet Brochure. While Martlet has revised, and in some cases expanded, language in various sections for clarification purposes, it has not materially changed any of its responses since the Brochure's September 1, 2019 interim amendment.

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#### **Item 4.           Advisory Business**

Martlet Asset Management, LLC (“Martlet”) was established in July 2018 and is an independent asset management firm focused on liquid alternative investments. Martlet intends to provide advice to private funds.

Jane Buchan, CEO and co-CIO of Martlet, holds the largest membership interest and the only interest greater than 25%. Other senior members of Martlet include Philippe Jorion, co-CIO and co-Head of Alternative Beta; Judith Posnikoff, Managing Director and CCO; Kevin Williams, CFO/COO; and Lisa Fridman, co-Head of Alternative Beta.

As of January 1, 2019, Martlet began managing a private fund on a discretionary basis with approximately \$101.4 million (as of December 31, 2018) in assets under management. This private fund (Martlet Alternative Beta Master Fund, LP, formerly known as Pacific Alternative Beta Master Fund, LP (the “Alt Beta Fund”)), was funded in February 2018 and managed by Pacific Alternative Asset Management Company, LLC (“PAAMCO”) from inception to December 31, 2018. The investment team managing the Alt Beta Fund at Martlet were employees of PAAMCO until December 31, 2018 and managed the Alt Beta Fund from its inception at PAAMCO. A feeder fund, Martlet Alternative Beta Fund, Ltd., to the Alt Beta Fund was established May 1, 2019. References to the Alt Beta Fund (or the “Fund”) will include the feeder fund as well as the master fund where appropriate. As of January 1, 2020, Martlet managed approximately \$149 million in discretionary assets.

The Alt Beta Fund follows a liquid alternative investment approach that focuses on investment anomalies (alternative risk premia) that are diversified across asset classes (e.g., equities, fixed income, currencies and commodities) and types of alternative risk premia (e.g., value, carry, momentum, volatility). Martlet intends to trade both commodity interests and securities for the Alt Beta Fund.

Martlet has various other private funds under development. A particular research focus is on identifying opportunities that arise in the capital markets due to market microstructure anomalies and supply and demand imbalances. Each of these private funds is expected to have distinct investment processes and procedures as well as its own respective fee structure. New private funds may not be appropriate for all clients.

**Item 5. Fees and Compensation**

For the Alt Beta Fund, as of July 1, 2019 the standard management fee is 0.75% (annual of assets under management) for allocations from new investors as of and after that date.

Martlet generally expects to deduct fees from the assets of each private investment fund. Fees are generally payable monthly in advance. For fee arrangements that call for payment of fees in advance, upon redemption Martlet will refund fees for any period of time Martlet did not provide services and only charge for the actual period of time Martlet provided investment advisory services.

As detailed in each private fund's governing documents, each investor in a private fund will also pay its pro rata portion of the private fund's ongoing expenses and any extraordinary or non-recurring expenses. Ongoing expenses include transaction (e.g., brokerage commissions or swap charges), administrative, insurance premiums, fidelity bonds, custody, legal, tax preparation, audit and accounting expenses, the fees and expenses of third-party service providers as may be considered necessary by Martlet, Directors' fees and expenses, pricing and valuation agents and other expenses, including extraordinary or non-recurring expenses, that are reasonably incurred in connection with the operation of the business and maintenance of the underlying private funds.

Please see the response to Item 12 for additional information on brokerage commissions.

Neither Martlet nor any of its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

**Item 6.            Performance-based Fees and Side-by-Side Management**

Martlet does not charge performance-based fees at this time.

## **Item 7.       Types of Clients**

Martlet expects to serve as a manager and/or adviser to private funds for tax-exempt investors such as offshore limited partnerships, limited liability companies and companies that are pooled investment vehicles. For the Alt Beta Fund, in general, the minimum initial investment amount is \$5,000,000. Investors may generally not effect a partial redemption if, after such redemption, the net asset value of their investment would be less than the applicable minimum investment amount.

Each investor in a Martlet private investment fund must generally be an “accredited investor” as defined in Regulation D of the Securities Act of 1933 and a “qualified purchaser” as defined in the Investment Company Act of 1940 and the regulations thereunder. In the case of certain offshore funds, non-U.S. investors need not be “accredited investors” or “qualified purchasers” so long as each such non-U.S. person is (1) not a “U.S. person” as defined in Regulation S under the Securities Act of 1933, as amended, or a “United States person” as defined in the Internal Revenue Code of 1986, and (2) must be a “Non-United States person” as defined in Regulation 4.7 under the Commodity Exchange Act.

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

The Alt Beta Fund pursues a strategy of harvesting anomalies (alternative risk premia) across asset classes (e.g., equities, fixed income, currencies and commodities) and types of alternative risk premia (e.g., value, carry, momentum, volatility). The investment process involves following academic research on alternative risk premia, evaluating the underlying rationale for a particular premium and analysis of various implementation approaches. Review of the strategy trading algorithm, performance, risk characteristics and cost structure is conducted as part of the process.

The discussion above summarizes the investment process in effect as of the date of this Brochure. Our investment process has been refined over time and we expect to continue to refine our investment process over time. We may make material modifications to our investment process without notice to investors.

Investing in securities and other assets involves a risk of loss, including complete loss, that investors in Martlet private funds, including the Alt Beta Fund, should be prepared to bear. The prices of securities and other assets in which the private funds will invest may be volatile. Market moves are difficult to predict and are influenced by, among other things, government trade, fiscal, monetary and exchange control programs and policies; changing supply and demand relationships; national and international political and economic events; changes in interest rates; and the inherent volatility of the marketplace. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in the financial instrument and currency markets, and such intervention (as well as other factors) may cause those markets and related investments to move rapidly.

Each Martlet private investment fund will acquire investment assets that have not yet been identified. Accordingly, prospective investors do not have an opportunity to review the terms upon which any assets are acquired prior to investing with Martlet. The likelihood that an investor will realize gain depends on the skill and expertise of Martlet in selecting those assets.

*Non-U.S. Exchanges and Markets:* A private investment fund may engage in trading on non-U.S. exchanges and markets. Trading on such exchanges and markets may involve certain risks not applicable to trading on U.S. exchanges and is frequently less regulated.

*Derivatives:* The Alt Beta Fund trades derivatives ("Derivatives"). These are financial instruments that derive their performance, at least in part, from the performance of an underlying asset, including, but not limited to, stocks, bonds, commodities, currencies, interest rates, volatility and market indices. The Derivatives that the Alt Beta Fund may use include, without limitation, futures, options, swaps and swaptions.

Derivatives can be volatile and involve various types and degrees of risk, depending upon the characteristics of the particular Derivative and the portfolio as a whole. Derivatives permit the Alt Beta Fund to increase or decrease the level of risk, or change the character of the risk, to which its portfolio is exposed in much the same way as the Alt Beta Fund can increase or decrease the level of risk, or change the character of risk, of its portfolio by purchasing or selling specific securities.



If the Alt Beta Fund trades Derivatives at inopportune times or Martlet judges market conditions incorrectly, such investments may lower the Alt Beta Fund's return or result in a loss. The Alt Beta Fund could also experience losses if the Derivatives were poorly correlated with its other investments or if the Alt Beta Fund was unable to liquidate its position because of an illiquid secondary market. The market for many Derivatives is, or suddenly can become, illiquid. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for Derivatives.

*Swaps:* The Alt Beta Fund enters into swap transactions. Swap agreements historically have been over the counter ("OTC"), two-party contracts entered into primarily by institutional investors for periods typically ranging from a few weeks to more than one year. In a standard swap transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments, which may be adjusted for an interest factor. There are various types of swaps, including but not limited to, total return swaps, variance swaps, credit default swaps and interest rate swaps; all of these and other swaps are derivatives and as such, each is subject to the general risks relating to derivatives described above.

*Futures Contracts:* The Alt Beta Fund will enter into futures and futures-related transactions, such as options on futures. With futures contracts, there is a risk that a counterparty may not be able to meet its obligations. The counterparty for most futures and futures-related contracts traded in the United States and on most non-U.S. futures exchanges is the clearinghouse associated with each exchange. In general, clearinghouses are backed by corporate members of the clearinghouse who are required to share any financial burden associated resulting from the non-performance by one of its members and, as such, should reduce this counterparty risk.

*Options:* The Alt Beta Fund will invest in options. The purchase or sale of an option involves the payment or receipt of a premium payment and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security or other instrument for a specific price at a specific time or during a certain time period. Purchasing options involves the risk that the underlying instrument does not change price in the manner expected, so that the option expires worthless and the investor loses the premium paid. Selling options involves potentially greater risk as the investor is exposed to the actual price movement in the underlying security or other instrument in excess of the premium payment received.

*OTC Transactions:* The Alt Beta Fund will invest in derivative instruments that are not traded on organized exchanges (i.e., are OTC) and, as such, are not standardized. In general, there is less governmental regulation and supervision in the OTC markets than of transactions entered into on an organized exchange. In addition, many of the protections afforded to participants on some organized exchanges, such as the performance guarantee of an exchange clearinghouse, will not be available in connection with OTC transactions. This exposes the Alt Beta Fund to the risk that a counterparty may not settle a transaction because of a credit or liquidity problem or because of disputes over the terms of the contract. In addition, the Alt Beta Fund will be subject to the risk of the inability of counterparties to perform with respect to transactions, whether due to insolvency, bankruptcy, governmental prohibition or other causes, which could subject the Alt Beta Fund to losses.

*Derivative Counterparty Risk:* The Alt Beta Fund's use of Derivatives involves the risk that the other party to the Derivative contract will fail to make required payments or otherwise comply with the terms of the contract. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a Derivative contract due to financial difficulties, the Alt Beta Fund may experience significant delays in obtaining any recovery under the Derivative contract in a bankruptcy or other proceeding. The Alt Beta Fund may obtain only a limited recovery or may obtain no recovery in such circumstances. The Alt Beta Fund may trade Derivatives by means of a prime broker or an executing broker and is subject in either case also to counterparty risk with respect to the broker. Although Martlet may attempt to mitigate the default risk to the Alt Beta Fund through careful counterparty selection and proper monitoring and risk management, counterparty defaults may still occur and any such occurrence may result in losses to the Alt Beta Fund.

*Hedging Risk:* Although the Alt Beta Fund may attempt to hedge market risk arising from its portfolio of financial instruments through the purchase and/or sale of various other financial instruments, there can be no assurance that the Alt Beta Fund's hedging will prove successful. There might be imperfect correlation, or even no correlation, between price movements of a financial instrument and price movements of the investments being hedged. Such lack of correlation might occur due to factors unrelated to the value of the instruments being hedged, such as speculative or other pressures on the markets in which the financial instruments are traded.

*Leverage:* The Alt Beta Fund may seek to enhance returns through the use of leverage, which can be described as exposure to changes in price at a ratio greater than 1:1 in reference to the amount invested. Additionally, leverage may involve borrowing to buy securities on margin or make other investments. Leverage magnifies both the favorable and unfavorable effects of price movements in investments, which may subject the Alt Beta Fund to a substantial risk of loss. In the event of a sudden, significant drop in value of the Fund's assets, it may not be able to liquidate assets quickly enough to meet its margin or borrowing obligations. Also, as acquiring and maintaining positions on margin allows the Fund to control positions worth significantly more than its investment in those positions, the amount it may lose in the event of adverse price movements is high in relation to the amount of investment.

*General Economic Conditions:* The success of any trading activity may be affected by general economic conditions, which may affect the level and volatility of security prices, currency exchange rates, interest rates and the extent and timing of investors' participation in the markets for currencies, securities and other instruments. Unexpected volatility or lack of liquidity in the markets in which the Fund directly or indirectly holds positions could impair the Fund's ability to continue to trade or cause it to incur losses.

**Item 9.           Disciplinary Information**

Martlet is required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of Martlet or the integrity of Martlet's management. Martlet has no information applicable to this Item either for itself or for any of its members.

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

Neither Martlet nor any of its management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Martlet was registered as a commodity pool operator with the Commodity Futures Trading Commission (“CFTC”) as of November 15, 2018. As required by CFTC rules, certain management persons of Martlet are registered as “associated persons” of Martlet.

**Item 11. Code of Ethics, Participation in Client Transactions and Personal Trading**

Martlet is committed to complying with applicable laws and regulations and to maintaining the highest ethical standards in connection with the management of Martlet. The Code of Ethics reflects Martlet's view on dishonesty, self-dealing, conflicts of interest and trading on material, non-public information. Martlet will provide a client or prospective client with a copy of its Code of Ethics on request.

The Code of Ethics requires each employee to provide initial and annual securities holdings reports as well as quarterly securities transaction attestations. Martlet employees will not be permitted to trade in most securities without prior approval of the Chief Compliance Officer. In addition, Martlet employees and family members will not be permitted to acquire interests in any limited offering (including any private investment fund managed by Martlet) or initial public offering without the prior approval of the Chief Compliance Officer.

In addition to managing conflicts of interest with respect to trading and preventing self-dealing, Martlet has adopted and implemented various policies and procedures regarding employees' outside, non-Martlet business activities, political contributions, giving and receipt of gifts and entertainment, and affiliations with third party service providers. The intent of these policies and procedures is to minimize opportunities for conflicts of interest to arise. Martlet employees may benefit from educational events sponsored by industry service providers such as prime brokers, administrators, law firms, audit firms, and other such professional service firms.

One senior member of Martlet serves as a director on the Alt Beta Fund. He does not receive compensation for his service as director.

## **Item 12. Brokerage Practices**

### Best Execution:

Martlet, where applicable, will take all reasonable steps to obtain, when executing orders or arranging the execution of orders, the best possible results for its clients taking into account relevant execution factors (a non-exhaustive list is set forth in the following paragraph).

The following factors, as relevant, may be considered when executing a trade on behalf of a client: listed bids and asks; the opportunity for price improvement; transaction costs; anonymity; liquidity; speed of execution; likelihood of execution and settlement; quality of research; expertise with difficult securities; trading style and strategy; geographic location; frequency of errors; access to new issues; size; and taking into account the relevant factors above, commission rates.

When executing an order or arranging its execution, Martlet will consider the relative importance of the execution factors listed above, taking into account the characteristics of the private fund, the characteristics of the order itself and the financial instrument that is subject to such order, and characteristics of the execution venues to which that order can be directed. Ordinarily, in considering best execution, price and transaction costs (including swap fees) will be given high relative importance in seeking to obtain the best possible result. It may be the case, however, that only one counterparty can provide the desired exposure.

### Soft Dollars:

Martlet does not currently use soft dollars. In the future, if Martlet were to use soft dollars, it only intends to use soft dollars to obtain products and services that fall within the safe harbor provided by Section 28(e) of the Exchange Act.

### Investor Referrals:

Martlet may receive client referrals from registered representatives of broker-dealers that trade on behalf of Martlet's private investment funds. Martlet is aware that such referrals could pose a conflict of interest in that Martlet could have an incentive to direct brokerage to broker-dealers that fail to achieve best execution in order to receive referrals. Martlet will review referral relationships (if any) and the associated conflicts of interest during its periodic evaluations of execution quality.

**Item 13.        Review of Accounts**

Martlet accounts will be reviewed by the responsible portfolio management team. In the case of the Alt Beta Fund, the co-Heads of Alt Beta review. Reporting on accounts is specific to the contractual agreement and goal of each account including the nature and frequency of reporting. Reports typically are provided as written reports on a monthly basis and include, but are not limited to, various performance measures and descriptions of performance drivers.

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

Martlet does not receive any economic benefit from any person who is not a client for providing investment adviser services for clients.

Martlet has a solicitation agreement in principle with PAAMCO for the Alt Beta Fund whereby PAAMCO would share in management fees earned by Martlet with respect to certain investors that invest in the fund (directly or via a feeder fund) prior to or as of July 1, 2019 due to PAAMCO's solicitation efforts during 2018. The applicable compensation arrangements will be provided in writing to any affected investor or client. There was one investor under this solicitation agreement as of July 1, 2019. In addition, in certain non-U.S. markets, where required by local regulations, Martlet intends to engage a third-party distributor. Such distributor will be compensated on a flat fee per annum basis and an additional flat fee per investor who subscribes through the distributor, all of which will be paid by Martlet.

From time to time, Martlet may engage one or more consultants to provide market research and consulting services relating to possible prospective clients.



**Item 15. Custody**

Martlet will be deemed to have custody of the assets of each private fund advised by Martlet.

To comply with the requirements of the Investment Advisers Act of 1940, each private fund advised by Martlet will be audited each year by an independent public accountant and those audited financial statements will generally be provided to investors within 120 days of fiscal year end. Because the Alt Beta Fund relies on the CFTC 4.7(b) exemption, its audited financial statements will be provided within 90 days of fiscal year end.

**Item 16.        Investment Discretion**

For those private funds where Martlet will have investment discretion, such as the Alt Beta Fund, Martlet will typically be granted express discretionary authority, including a power of attorney, through an investment management agreement or similar agreement between Martlet and the private fund.

**Item 17.        Voting Client Securities**

While it is unlikely, given the securities Martlet currently trades, that Martlet will be asked to consider many corporate actions (i.e., proxy votes), Martlet has adopted a policy governing the voting of proxies. This policy is intended to ensure that Martlet will vote proxy proposals, amendments, consents or resolutions (collectively, proxies) in a prudent and diligent manner intended to enhance the economic value of the underlying assets. Each proxy proposal is considered on its own merits and Martlet makes an independent determination of whether to support or oppose management's position. Any actual or apparent conflict of interest between the interests of Martlet and its clients will be resolved in a manner that is in the best interests of clients and, to the extent possible, in a manner not affected by such actual or apparent conflict of interest.

A copy of Martlet's proxy voting policy as well as information on how Martlet has voted a private fund's proxies is available to Martlet investors upon request.

**Item 18. Financial Information**

As Martlet does not require or solicit prepayment of more than \$1,200 in fees per private fund six months or more in advance, accordingly, it is not required to provide a balance sheet. In addition, Martlet has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage the private funds.