

**Item 1 – Cover Page**

**Form ADV Part 2A**  
**FIRM BROCHURE**

**MARSTONE, LLC**  
171 Chestnut Street, Suite 200  
Providence, Rhode Island 02903

Mailing Address:  
697 3<sup>RD</sup> Avenue, Suite 350  
New York, New York 10017  
[www.marstone.com](http://www.marstone.com)

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This brochure provides information about the qualifications and business practices of Marstone, LLC (“Marstone”, “Advisor”, or the “Firm”), 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 (“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)

## **Item 2: Summary of Material Changes**

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially changed or 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. The following material changes have been made to this document since the last annual updating amendment submitted on March 23, 2022:

- Items 4 and 16: We added information about trading in Third-Party Models and investment restrictions for accounts.
- Item 5: We added information about our wrap fee programs.
- Item 7: We reduced our minimum investment amount to \$500.
- Item 8: We added information regarding ESG strategies.
- Item 12: We added information about aggregating client trades.
- Item 14: We revised the language to disclose that we have entered agreements to pay referral fees or other compensation.
- Item 17: We revised the language to disclose that clients are responsible for voting proxies.

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

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## **Item 4 – Advisory Services**

Marstone 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 creating investment plans and portfolio management strategies to meet clients’ financial objectives, including identifying:

- Investment objectives and risk tolerance;
- Asset classes in which to invest;
- Efficient investment allocation to meet stated 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, its advisor, and market information 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. You are generally free to impose reasonable investment-related restrictions on the management of your account(s). You should be aware that if you impose multiple restrictions on the nature or type of securities held by your account(s), we believe that substituting other securities for restricted core holdings may not be desirable. This could have a negative (or positive) effect on the investment performance of an account compared to the performance of a similar account that is not so restricted.

Marstone may be directed by a client to trade investment models (“Third-Party Models”), whereby the asset manager, acting as a model provider, constructs an asset allocation and selects the underlying investments for each portfolio on a non-discretionary basis. Marstone performs overlay management of the Third-Party Models by placing trade orders, periodically updating and rebalancing each Third-Party Model pursuant to the direction of the model provider. Marstone is not exercising discretion as a fiduciary in implementing the investment selections of Third-Party Models.

### ***Assets Under Management***

As of 12/31/2022, we managed approximately \$2,788,732 in client assets on a discretionary basis, where we made all of the investment decisions.

## **Item 5 –Fees and Compensation**

### **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, LLC and Pershing Advisor Solutions, LLC (collectively "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. You may choose from wrapped or non-wrapped programs.

In a wrap fee program, the sponsor provides a bundle of services to client participants in return for a single fee that "wraps" around the various services. An example of these services includes maintaining and providing a model portfolio and assisting in major trades such as large purchases or sales resulting from substantial changes in the model.

Wrap fee programs may offer certain advantages to participants, such as enabling smaller clients to obtain the services of Marstone for accounts that would typically be too small to be managed as private accounts. Participants should be aware, however, that wrap account fees may, at times, be higher than the fees that other accounts might pay to retain our services. If you would like to participate in one of our wrap fee programs, please ask us for a copy of the relevant wrap fee brochure.

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 agreements to provide digital advice to clients for which its advisory fee shall, generally, range from 0.45% to 0.75% 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 as 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 reviewed before investing. All such fees will be identified in the 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 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.

### **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 offers investment account management services to clients on a discretionary basis acting either as an advisor or sub-advisor. 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.

### **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. 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.

## **Item 6 – Performance Based Fees**

Marstone does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

## **Item 7 – Types of Clients and Account Requirements**

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 \$500 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. We, at our sole discretion, may accept clients with smaller portfolios based upon certain factors including:

- anticipated future earning capacity,
- anticipated future additional assets,
- account composition,
- related accounts, and
- pre-existing client relationships.

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

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 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. The portfolio may include holdings in ETFs that follow certain environment, social and governance ("ESG") strategies. Based on your investment objectives and Marstone's resulting recommendations, Marstone will customize specific solutions suitable to meet your stated needs and goals.

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.

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

Marstone’s services 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 expressed ability and willingness to accept risk. Marstone investment philosophy is generally a buy and hold strategy. Marstone will engage in periodic rebalancing to maximize account results, but clients are strongly encouraged to routinely revisit their risk tolerance and to make any changes to their investor profiles that might impact their evolving investment strategies or objectives.

Risk considerations generally include market, liquidity, technology, advisory, volatility, credit, regulatory and monetary risks. The ESG investments are based on the investment strategies of the ETFs as described in the offering documents and will generally follow a certain ESG strategy, such as clean water or social responsibility. ESG investments may not perform as well as other investments that do not include an ESG strategy due to the limitations of the underlying holdings of the portfolio.

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.

## **Item 9 – Disciplinary Information**

We have not been the subject of any legal or disciplinary events that would be material to your evaluation of our business or the integrity of our management.

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

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



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

We have adopted a Code of Ethics (“Code”) to address the securities-related conduct of our supervised persons. The Code includes our policies and procedures developed to protect your interests in relation to the following:

- the duty at all times to place your interests ahead of ours;
- that all personal securities transactions of our supervised persons be conducted in a manner consistent with the Code and avoid any actual or potential conflict of interest, or any abuse of a supervised person’s position of trust and responsibility;
- that supervised persons may not take inappropriate advantage of their positions;
- that information concerning the identity of your security holdings and financial circumstances are confidential; and
- that independence in the investment decision-making process is paramount.

We will provide a copy of the Code to you or any prospective client upon request.

We do not buy or sell securities for our firm that we also recommend to clients. Our supervised persons are permitted to buy or sell the same securities for their personal and family accounts that are bought or sold for your account(s). The personal securities transactions by supervised persons raise potential conflicts of interest when they trade in a security that is owned by you or considered for purchase or sale for you.

We have adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our supervised persons to act in your best interest,
- prohibit favoring one client over another, and
- provide for the periodic review of transactions to discover and correct any same-day trades that knowingly result in a supervised person receiving a better price than a client.

Supervised persons must follow our procedures when purchasing or selling the same securities purchased or sold for you.

## **Item 12 – Brokerage Practices**

We seek to recommend custodians/brokers who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, these:

- Ability to maintain the confidentiality of trading intentions
- Timeliness of execution
- Timeliness and accuracy of trade confirmations

- Liquidity of the securities traded
- Willingness to commit capital
- Ability to place trades in difficult market environments
- Research services provided
- Ability to provide investment ideas
- Execution facilitation services provided
- Record keeping services provided
- Custody services provided
- Frequency and correction of trading errors
- Ability to access a variety of market venues
- Expertise as it relates to specific securities
- Financial condition
- Business reputation

With this in consideration, our firm has an arrangement with Pershing, member FINRA/SIPC/NFA (“Custodian”). Pershing offers to independent investment advisers non-soft dollar services which include custody of securities, trade execution, clearance and settlement of transactions. Please see the disclosure under Item 14 of this Brochure.

As a result of receiving the services, we may have an incentive to continue to use or expand the use of the Custodian’s services. Our firm examined this potential conflict of interest when we chose to enter into the relationship with the Custodian and we have determined that the relationship is in the best interest of our firm’s clients and satisfies our client obligations, including our duty to seek best execution.

The Custodian may charge brokerage commissions or other fees for effecting certain securities transactions (i.e., commissions are charged for individual equity securities transactions). The Custodian’s commission rates are generally discounted from customary retail commission rates. The commission and other fees charged by the Custodian may be higher or lower than those charged by other custodians and broker-dealers.

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. We do not use client brokerage commissions to obtain research or other products or services.

If Marstone buys or sells the same securities on behalf of more than one client, then it may (but would be under no obligation to) aggregate or bunch such securities in a single transaction for multiple clients in order to seek more favorable prices or more efficient execution. In such case, Marstone would place an aggregate order with the broker on behalf of all such clients in order to ensure fairness for all clients; provided, however, that trades would be reviewed periodically to ensure that accounts are not systematically disadvantaged by this policy.

### **Item 13 – Review of Accounts**

Portfolio positions are generally reviewed on an ongoing basis by the investment team. Further account reviews may be triggered by potential change including analyst reports, company news, fund

management change and interest rate movement. Other factors that may trigger a review include, but are not limited to, material developments in market conditions, material geopolitical events, and changes to a client's personal or financial situation (the birth of a child, preparing for a home purchase, plans to attend higher education, a job transition, impending retirement, death or disability among family members, etc.).

To this end, clients are required to keep Marstone informed via the interactive website regarding their investment objectives, needs and goals and any changes regarding same.

You have 24/7 access to online account information that includes current positions, unrealized gains and losses, realized gains and losses, allocation information, transaction history, and other additional account data. You may also elect to receive your account statements quarterly in paper form for a nominal fee.

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

Marstone has entered agreements to pay referral fees or other compensation for clients introduced to the platform. Any such agreement shall require advanced notice to such clients of the existence of these relationships and shall be in accordance with applicable rules and regulations.

## **Item 15 – Custody**

Though we debit our fees directly from your account, we do not, however, act as the qualified custodian of your accounts. You can choose to receive statements from the custodian that holds your investment account on at least a quarterly basis. You can also choose online access to your account information that includes:

- current positions,
- unrealized gains and losses,
- realized gains and losses,
- allocation information,
- transaction history, and
- other additional account data.

We urge you to carefully review your custodial statements. You should verify that the transactions in your account are consistent with your investment goals and the objectives for your account. We also encourage you to contact us should you have any questions or concerns regarding your account.

## **Item 16 – Investment Discretion**

Marstone offers our advisory services on a discretionary basis. Discretionary means that we do not need advance approval from you to determine the type and amount of securities to be bought and sold for your accounts. This discretion is used in a manner consistent with the stated investment objectives for your account as provided in your Investor Advisory Agreement. We only exercise discretion in

accounts where we have been authorized by you.

We do not, however, have the ability to choose the broker-dealer through which transactions will be executed. Additionally, we do not have the ability to withdraw funds from your account (other than to withdraw our advisory fees, which may only be done with your prior written authorization.) Marstone is not exercising discretion as a fiduciary in implementing the investment selections of Third-Party Model Providers.

### **Item 17 – Voting Client Securities**

The Client shall be responsible for voting all proxies, if any, that are solicited with respect to the assets of the Accounts. All proxy voting documents will be sent directly to Custodian for delivery to the Client. If, however, any such proxy voting documents are received directly by the Advisor, the Advisor shall promptly deliver such proxy voting documents to the Client.

### **Item 18 – Financial Information**

Our firm is not required to provide financial information in this Brochure because:

- Our firm does not require the prepayment of more than \$1,200 in fees when services cannot be rendered within 6 months.
- Our firm does not take custody of client funds or securities.
- Our firm does not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to clients.

Our firm has never been the subject of a bankruptcy proceeding.