

**Item 1 – Cover Page**

**Form ADV Part 2A, Appendix 1  
Wrap Fee Program  
FIRM BROCHURE**

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This wrap fee program 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 wrap fee 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, Appendix 1 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 28, 2023.

- Item 6: We added some additional risk disclosures.

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 – Service, Fees and Compensation**

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 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.

### **Wrap Fee Programs**

Marstone provides investment management services to wrap fee programs by serving as investment manager of wrap participant accounts or model portfolios. Marstone sponsors two wrap fee programs – Marstone Wrap Program A and Marstone Wrap Program B.

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.

As a participant in our wrap fee programs, 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 a restricted wrap fee account compared to the performance of a similar account that is not so restricted.

### **Services & Fees**

Marstone offers investment account management services to wrap fee programs on a discretionary basis acting 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.

Wrap pricing structures allow you to pay an all-inclusive fee for management, brokerage, clearance, custody and administrative services. We may charge accounts that do not meet minimum asset thresholds a nominal fee on a quarterly basis.

You should note that the same (or similar) services as those described above may be available from other sources at a lower cost to you. Depending upon the level of the wrap fee charges, the amount of portfolio activity in your account, the value of services that are provided, and other factors, a wrap fee may exceed the aggregate cost of services if they were to be provided separately. Generally, wrap programs are relatively less expensive for actively traded accounts. However, a non-wrapped pricing arrangement can be more cost effective for accounts that do not experience frequent trading activity.

At the sole discretion of Adviser, the fee may be discounted in consideration of specific client situations.

The fee that you pay for a wrap fee account includes payment of all brokerage commissions and other trading costs of transactions effected through Pershing. Where applicable, you will be required to pay other charges such as:

- SEC fees,
- internal fees and expenses charged by exchange traded funds ("ETFs"), and
- other fees and taxes on brokerage accounts and securities transactions.

ETFs charge internal fees and expenses for their products. These fees and expenses are in addition to any advisory fees charged by us. Complete details of these internal fees and expenses are explained in the prospectuses for each investment. You are strongly encouraged to read these explanations before investing any money. You may ask us any questions you have about fees and expenses.

The fee for the Marstone Wrap Program A participants is covered by the participant's employer as part of their benefits package and is covered under a separate agreement. Once the participant is no longer an employee, the participant will be responsible for paying Marstone's fee.

The Marstone Wrap Program B participants are charged 0.70% annually and the fee is paid by the

participant.

Note that not all wrap programs are open to all investors.

Advisory service fees, expressed as a monthly fee in both Wrap Program A and Wrap Program B, shall be calculated by multiplying the market value of the assets under management in the account at the end of the preceding month by the management fee identified in your 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.

Other than fees and expenses that may result from clients' untimely or inaccurate responses to Marstone or its partners, 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.

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, unless otherwise indicated above, held at its partner custodians/ custodial broker-dealers. It is Marstone's policy to bill managed accounts in arrears on a monthly basis as provided through such partner(s).

### **Other Terms & Conditions**

Marstone 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 5 – 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 \$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 6 – Portfolio Manager Selection and Evaluation**

### **Portfolio Managers**

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

### **Other Advisory Services**

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.

### **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).

### **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 and also alternative investments, such as cryptocurrencies. 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 the following:

- ***Asset Allocation Risk.*** We invest in a broad array of asset classes and may allocate assets to an asset class that underperforms other asset classes. For example, we may overweight equity-related investments when the stock market is falling, and the fixed income market is rising.
- ***Exchange-Traded Funds (“ETF”) Risk:*** ETFs are securities that track an index, a commodity, or a basket of assets like an index fund, but that trade like a stock on an exchange. ETFs can also be actively managed. ETFs experience price changes throughout the day as they are bought and sold.
- ***Market Risk:*** The price of a security, bond, or mutual fund can drop in reaction to tangible



and intangible events and conditions. External factors cause this type of risk, independent of a security's underlying circumstances. For example, political, economic, and social conditions can trigger market events.

- **ESG Risk:** 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.
- **Alternative Investments Risk:** The alternative investments are based on the investment strategies of the ETFs as described in the offering documents and will generally follow a certain strategy, such as providing exposure to cryptocurrencies. Alternative investments may not perform as well as other investments as they can be very volatile and uncorrelated to other investments.

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.

### **Proxy Voting**

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 7 – Client Information Provided to Portfolio Managers**

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. 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.

## **Item 8 – Client Contact with Portfolio Managers**

Marstone wrap fee program clients have continual contact with Marstone's portfolio management. 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 9 – Additional Information**

### **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.

### **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.

### **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.

### **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.).

### **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.

### **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.