

## **Firm Brochure**

(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of COMPASS GROUP LLC. If you have any questions about the contents of this brochure, please contact us at: (212) 355-7630. 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. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training

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

March 26, 2014

COMPASS GROUP LLC

## **Material Changes**

### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

### **Material Changes since the Last Update**

There are no material changes since the last update.

### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (212) 355-7630.

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## **Item 4. Advisory Business**

### **Firm Description**

COMPASS GROUP LLC, (“Compass” or “the Adviser”) was founded on September 6, 1995.

Compass is an investment adviser with its principal place of business in New York, N.Y. The Adviser was registered with the Securities and Exchange Commission (“SEC”) on November 14, 2000.

### **Principal Owners**

COMPASS GROUP HOLDINGS INC. is the parent company (“Parent Company”) of the Adviser. COMPASS GROUP HOLDINGS SA is the sole owner of the Parent Company.

### **Types of Advisory Services**

The Adviser provides the following advisory services on a discretionary and non-discretionary basis to its clients, which include individuals and institutions with separately managed accounts and pooled investment vehicles intended for sophisticated investors and institutional investors: providing investment management services and managing investment advisory accounts. The Adviser manages pooled investment vehicles on a discretionary basis according to the goals, objectives and investment policies described in their respective private offering documents with the primary focus being on investments in equity and debt securities of issuers in Latin American countries. The Adviser also provides asset allocation services to its clients whereby it recommends portfolios constructed to cover the risk profiles and investment objectives of its clients.

### **Tailored Relationships**

The Adviser provides advice to client accounts based on specific investment objectives and strategies. Under certain circumstances, the Adviser may agree to tailor advisory services to the individual needs of clients. Currently, the Adviser tailors its advisory services based the investment guidelines included in the investment management agreement with the client.

Clients may impose restrictions on investing in certain securities or certain types of securities.

## Wrap Fee Program

The Adviser provides investment advisory services as a portfolio manager in connection with a wrap fee program sponsored by the Adviser ("Wrap Fee Sponsor") in conjunction with a broker-dealer affiliated with the Adviser. There are differences between how the Adviser manages a wrap fee account and other client accounts. They include treatment of allocations and/or trading executions. Please refer to Appendix 1 below.

## Client Assets Under Management

As of December 31, 2013 the Adviser had approximately \$ 1.25 Billion client assets under management on a discretionary basis.

## Item 5. Fees and Compensation

### Advisory Fees and Compensation

#### Asset-Based Compensation

The Adviser charges each client an investment management fee based on the value of the client's assets under management, in accordance with the following schedule:

### Discretionary Program Fees

<u>Assets Under Management</u> <u>(AUM)</u>	<u>Program Fee (% of AUM)</u>
First \$2,000,000	1.50%
Next \$2,000,000	1.25%
Next \$2,000,000	1.00%
Over \$6,000,000	Negotiable

## Non-Discretionary Program Fees

<u>Assets Under Management (AUM)</u>	<u>Program Fee (% of AUM)</u>
First \$2,000,000	1.00%
Next \$2,000,000	0.80%
Next \$2,000,000	0.50%
Over \$6,000,000	Negotiable

Pooled Investment Vehicles: The fees in pooled investment vehicles (“the Funds”) consist of fixed fees, which range between 0.3% to 2.75% per annum, depending on the strategy of the Fund and the size of the investment. The fixed fees are payable monthly in arrears. In addition, with respect to some of the Funds, the Company may also receive an incentive fee payable annually equal to either 10% or 20% of net profits. Incentive fees are generally subject to a loss carry forward provision. These fees may be waived or reduced in the Adviser’s discretion. Any fees payable to affiliated sub-advisors is reduced from the fixed and incentive fees otherwise payable by the Funds to the Adviser.

Asset Allocation Services. For its asset allocation services, the Adviser charges a maximum annual asset allocation fee of 2.0% of the client’s assets under management, payable monthly in arrears. This fee may vary by amount of investment. The Adviser may, in its discretion, waive any portion of this fee or negotiate a lower fee. The Adviser also may charge an incentive fee equal to 10% or 20% of net profits. This fee may vary by class or type of investment and be subject to a “hurdle rate” which is negotiated separately with respect to each client. In addition, the Adviser may charge a fee of 0.50% of client assets for administrative services rendered to the client. These fees may be waived or reduced in the Adviser’s discretion.

Separate Account Asset Management. For its separate account management services, the Adviser charges a maximum annual fee of 2.0% of the client’s assets under management, payable monthly in arrears. In addition, the Adviser may charge a quarterly or annual incentive fee equal to 10% to 20% of the account’s quarterly or yearly return. This fee may vary by class or type of investment and be subject to a “hurdle rate” which is negotiated separately with respect to each client. The Adviser may, within its discretion, waive any portion of this fee or negotiate a lower fee.

Investment management fees are charged each month or quarter in arrears based on the total market value of the assets in the client account



(including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest) on the last day of the month or quarter. If a new client account is established during a month or quarter or a client makes an addition to its account during a month or quarter, the investment management fee will be prorated for the number of days remaining in the month or quarter. If a client's investment management agreement is terminated or a withdrawal is made from a client account during a month or quarter, the fee payable to the Adviser will be calculated based on the value of the assets on the termination date or withdrawal date and prorated for the number of days during the month or quarter in which the investment management arrangement was in effect or such amount was in the account.

These fees are negotiable.

### **Performance-Based Compensation**

The Adviser may also be paid a performance-based fee, which is compensation that is based on a share of capital gains on or capital appreciation of the assets of a client (such as a client that is a pooled investment vehicle). This compensation may be paid to the Adviser and range from 10 to 20 %. Under certain circumstances, receipt of performance-based compensation may be subject to a hurdle rate.

These fees are negotiable.

### **Payment of Fess**

The Adviser does not deduct the investment management fee from client accounts. Rather, the Adviser bills clients.

### **Other Fees and Expenses**

In addition to paying investment management fees and, if applicable, performance-based fees or other compensation, client accounts will also be subject to other investment expenses such as custodial charges, brokerage fees, commissions and related costs; interest expenses; taxes, duties and other governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange transactions; other portfolio expenses; and costs, expenses and fees (including, investment advisory and other fees charged by investment advisers with, or funds in, which the client's account invests) associated with products or

services that may be necessary or incidental to such investments or accounts. Client assets may be invested in pooled investment vehicles. In these cases, clients will bear their pro rata share of the underlying fund's operating and other expenses including, in addition to those listed above: sales expenses, legal expenses; internal and external accounting, audit and tax preparation expenses; and organizational expenses. Client assets may be invested in money market mutual funds, ETFs or other registered investment companies. In these cases, the client will bear its pro rata share of the investment management fee and other fees of the fund, which are in addition to the investment management fee paid to the Adviser. Client assets may be invested in a master-feeder structure. Feeder funds bear a pro rata share of the expenses associated with the related master fund. In addition, clients will incur brokerage and other transaction costs. Please refer to Item 12 of this Firm Brochure for a discussion of the Adviser's brokerage practices.

## Prepayment of Fees

This is not applicable.

## Additional Compensation and Conflicts of Interest

The Adviser or its supervised persons receive compensation indirectly in connection with the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds (e.g., where the Adviser has an affiliated broker-dealer and the affiliated broker-dealer receives commissions or other compensation in connection with the sale of the securities or other investment products).

1. As a result of this additional compensation, the Adviser or its supervised persons has a conflict of interest because the Adviser or its supervised person have an incentive to recommend these securities or other investment products based on the compensation received, rather than on a client's needs. The Adviser recommends "no-load" funds. The Adviser has adopted and implemented policies and procedures to monitor frequency of trading and to address these conflicts.
2. Clients have the option to purchase investment products that the Adviser recommends through other brokers or agents that are not affiliated with the Adviser.
3. The Adviser does not reduce its advisory fees to offset the commissions or markups.

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

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

The Adviser and its investment personnel provide investment management services to multiple portfolios for multiple clients. The Adviser is entitled to be paid performance-based compensation by its private pooled investment vehicle clients and certain other client accounts. In addition, certain client accounts may have higher asset-based fees or more favorable performance-based compensation arrangements than other accounts. When the Adviser and its investment personnel manage more than one client account a potential exists for one client account to be favored over another client account. The Adviser and its investment personnel have a greater incentive to favor client accounts that pay the Adviser (and indirectly the portfolio manager) performance-based compensation or higher fees.

The Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. The Adviser reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is also regularly compared to determine whether there are any unexplained significant discrepancies. In addition, the Adviser's procedures relating to the allocation of investment opportunities require that similarly managed accounts participate in investment opportunities pro rata based on asset size and other factors such as investments guidelines or restrictions prescribed by the client and require that, to the extent orders are aggregated, the client orders are price-averaged. Finally, the Adviser's procedures also require the objective allocation for limited opportunities (such as initial public offerings and private placements) to ensure fair and equitable allocation among accounts. These areas are monitored by the Adviser's Chief Compliance Officer.

## **Item 7. Types of Clients**

### **Description**

The Adviser's clients consist of individuals, banks, pooled investment vehicles, private funds, trusts, corporations and other business entities.

## Account Minimums

The Adviser requires that a client invests a minimum of \$ 750,000 to open an account and to maintain a minimum account size of \$ 750,000 for separate accounts. The Adviser reserves the right to waive the minimum investment or minimum account size for certain clients.

With respect to any client that is a pooled investment vehicle, any initial and additional subscription minimums are disclosed in the offering memorandum for the pooled investment vehicle.

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

### Methods of Analysis and Investment Strategies

The Adviser utilizes a variety of methods and strategies to make investment decisions and recommendations. The methods of analysis include fundamental research, charting analysis, cyclical analysis as well as use of quantitative tools and investment approaches, or technical analytical tools and approaches.

**Funds of Funds.** With respect to investments in other pooled vehicles, the Adviser primarily focuses on underlying portfolio managers (each, a “Portfolio Manager”) in terms of research rather than individual securities. The Adviser’s analytical process includes both quantitative and qualitative elements. The Adviser endeavors to analyze a Portfolio Manager’s strategy, philosophy and decision making process, proprietary models, research and portfolio management systems, the quality of its investment professionals, and its organizational structure.

The Adviser employs the following investment strategies:

**Fixed Income.** The Adviser’s fixed income strategy focuses on a broad range of fixed income investment styles aiming to achieve a high level of income, with the opportunity for capital gains, from diversified portfolios of fixed and floating rate securities issued by domestic and foreign corporations and governments, with various degrees of maturity, credit ratings and liquidity. The Adviser manages client accounts focused in fixed income securities that are focused in Latin American emerging markets and other global markets. These fixed income securities may be

denominated in US Dollars or in Latin American or other foreign currencies.

**Equity.** The Adviser's equity strategy focuses on a broad range of equity investment styles, including growth, core, and value, as well as portfolios designed to be "style-neutral". Some client accounts may focus on specific ranges on the capitalization scale, from micro-cap, through small-cap, mid-cap and large-cap, to mega-cap. Other client accounts will focus on investment opportunities in more than one capitalization category or across all capitalization levels. In addition, the Adviser manages client accounts that are global, multi-national, or focused in Latin American emerging markets.

**Fundamental Value.** The Adviser engages in a fundamental value investment strategy wherein the Adviser attempts to invest in asset-oriented securities the Adviser believes are undervalued by the market.

**Growth.** The Adviser engages in a capital growth investment strategy wherein the Adviser attempts to select securities of a company whose earnings the Adviser expects to grow at an above-average rate compared to the company's specific industry or the overall market.

**Arbitrage Transactions.** The Adviser engages in one or more types of arbitrage strategies. Arbitrage strategies attempt to take advantage of perceived price discrepancies of identical or similar financial instruments, on different markets or in other forms. The Adviser engages in the following arbitrage strategies: event-driven arbitrage, merger arbitrage, capital structure arbitrage, convertible arbitrage, fixed income or interest rate arbitrage.

**Buy and Hold.** The Adviser engages in a buy and hold investment strategy wherein the Adviser buys securities and holds them for a relatively longer period of time, regardless of short-term factors such as fluctuations in the market or volatility of the security price.

**Hedging.** The Adviser utilizes a variety of financial instruments such as derivatives, options, interest rate swaps, caps and floors, futures and forward contracts for risk management purposes.

**Relative Value.** The Adviser pursues relative value strategies by taking long positions in securities believed to be undervalued and short positions in securities believed to be overvalued.

**Short-Term Market Timing.** The Adviser engages in a short-term market timing investment strategy wherein the Adviser attempts to anticipate the market price of a stock before the stock's price reacts to market forces by analyzing macroeconomic and market trends, and then sells the stock shortly after the stock's price is influenced by market movements.

**Leverage.** The Adviser's investment program may utilize leverage which involves the borrowing of funds from brokerage firms, banks and other institutions in order to be able to increase the amount of capital available for marketable securities investments.

**Short Selling.** The Adviser engages in short selling strategies. In a short sale transaction, the Adviser sells a security it does not own in anticipation that the market price of that security will decline. The Adviser makes short sales (i) as a form of hedging to offset potential declines in long positions in similar securities, (ii) in order to maintain flexibility and, (iii) for profit.

These methods, strategies and investments involve risk of loss to clients and clients must be prepared to bear the loss of their entire investment.

## **Material Risks (Including Significant, or Unusual Risks) Relating to Investment Strategies**

**Issuer-Specific Changes.** Changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can increase the risk of default by an issuer or counterparty, which can affect a security's or instrument's value. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Smaller issuers can have more limited product lines, markets, or financial resources.

**Interest Rate Risks.** Generally, the value of fixed-income securities changes inversely with changes in interest rates. As interest rates rise, the market value of fixed-income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed-income securities tends to increase. This risk is greater for long-term securities than for short-term securities.

**Arbitrage Transaction Risks.** If the requisite elements of an arbitrage strategy are not properly analyzed or unexpected events or price movements intervene, losses can occur which can be magnified to the

extent the Adviser is employing leverage. Moreover, arbitrage strategies often depend upon identifying favorable “spreads”, which can also be identified, reduced or eliminated by other market participants.

**Hedging.** There can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly. Further, while the Adviser may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Adviser’s investment portfolios than if the Adviser did not engage in any such hedging transactions.

**Lack of Diversification.** Client accounts will not be diversified among a wide range of types of securities, countries or industry sectors. Accordingly, client portfolios are subject to more rapid change in value than would be the case if the Adviser were required to maintain a wider diversification among types of securities and other instruments.

**Relative Value Risk.** In the event that the perceived mispricings underlying the Adviser’s relative value trading positions were to fail to converge toward, or were to diverge further from, relationships expected by the Adviser, client accounts may incur a loss.

**Short Selling Risk.** The Adviser’s investment program includes short selling. Short selling transactions expose the Adviser to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by the Adviser in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a “short squeeze” can occur, wherein the Adviser might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

**Distressed Situation Risk.** Investment in distressed situations exposes the client to significant risks, including: the difficulty in obtaining information as to the issuer’s true condition; regulatory risk, including laws relating to fraudulent conveyances, voidable preferences, lender liability and bankruptcy; litigation risk; liquidity risk; and collection risk (especially, when dealing with sovereign debt). Moreover, to the extent client accounts are invested in sovereign debt obligations, those investments will be subject to additional risks and considerations not present in private distressed situations, including the uncertainties involved in enforcing and collecting debt obligations against sovereign nations, which are affected by world events, changes in U.S. foreign policy and other factors outside of the control of the Adviser.

Commodities. Commodity investments are affected by business, financial market or legal uncertainties. There can be no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return of commodity investments. Prices of commodity assets may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Adviser's value of its investments. In addition, the value of the Adviser's portfolios may fluctuate as the general level of interest rates fluctuates.

Leverage. Performance may be more volatile if a client's account employs leverage.

### Risks Associated With Types of Securities that are Primarily Recommended (Including Significant, or Unusual Risks)

Emerging Markets. The risks of foreign investments typically are greater in less developed countries, sometimes referred to as emerging markets. For example, political and economic structures in these countries may be less established and may change rapidly. These countries also are more likely to experience high levels of inflation, deflation, or currency devaluation, which can harm their economies and securities markets and increase volatility. Restrictions on currency trading that may be imposed by emerging market countries will have an adverse effect on the value of the securities of companies that trade or operate in such countries.

Fixed-Income and Debt Securities. Investment in fixed-income and debt securities such as bonds, notes and asset-backed securities, subject a client's portfolios to the risk that the value of these securities overall will decline because of rising interest rates. Similarly, portfolios that hold such securities are subject to the risk that the portfolio's income will decline because of falling interest rates. Investments in these types of securities will also be subject to the credit risk created when a debt issuer fails to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that debt to decline. Lastly, investments in lower-rated debt securities will also subject the investments to the risk that the securities may fluctuate more in price, and are less liquid than higher-rated securities because issuers of such lower-rated debt securities are not as strong financially, and are more likely to encounter financial difficulties and be more vulnerable to adverse changes in the economy.



**Equity Securities.** The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geopolitical risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

**Non-U.S. Securities.** Foreign securities, foreign currencies, and securities issued by U.S. or foreign entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.

**Risk Arbitrage Securities.** A merger, other restructuring, tender, or exchange offer proposed at the time the Adviser invests in risk arbitrage securities may not be completed on the terms or within the time frame contemplated, resulting in losses.

**Derivatives.** Swaps, and certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in derivative instruments require a high degree of leverage, meaning the overall contract value (and, accordingly, the potential for profits or losses in that value) is much greater than the modest deposit used to buy the position in the derivative contract. Derivative securities can also be highly volatile. The prices of derivative instruments and the investments underlying the derivative instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the client or the Adviser. Further, transactions in derivative instruments are not undertaken on recognized exchanges, and will expose the client's account to greater

risks than regulated exchange transactions that provide greater liquidity and more accurate valuation of securities.

**Illiquid Instruments.** Certain instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and the Adviser's ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult for the Adviser to obtain market quotations based on actual trades for the purpose of valuing a fund's portfolio.

**Distressed Securities.** Investments in unrated or low grade debt securities of distressed companies are subject to greater risk of loss of principal and interest than higher-rated debt securities. Also, securities of distressed companies are generally more likely to become worthless than the securities of more financially stable companies. In addition, evaluating credit risk for foreign debt securities involves greater uncertainty because credit rating agencies throughout the world have different standards, making comparison across countries difficult.

**Security Futures and Options.** In connection with the use of futures contracts and options, there may be an imperfect correlation between the change in market value of a security and the prices of the futures contracts and options in the client's account. In addition, the Adviser's investments in security futures and options may encounter a lack of a liquid secondary market for a futures contract and the resulting inability to close a futures position prior to its maturity date.

## **Item 9. Disciplinary Information**

### **Legal and Disciplinary**

This item is not applicable. The Adviser and its employees have not been involved in any legal or disciplinary events related to past or present investment clients.

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

### **Broker Dealer Registration Status**

Certain of the Adviser's management persons are registered as registered representatives of CG Compass (USA) LLC, an affiliated broker-dealer.

### **Material Relationships or Arrangements with Industry Participants**

The Parent Company of the Adviser also owns CG Compass (USA) LLC, a registered broker-dealer and the Parent Company additionally owns Compass Capital Management LLC, an unregistered investment adviser. Certain of the Adviser's management persons are also management persons of these entities. Compass may act as general partner, management company or investment manager to certain private investment vehicles formed to invest and trade in the types of securities and other investments. Compass and its principals and/or related persons may serve as general manager, management company, or investment adviser to certain private investment vehicles and may organize additional private investment vehicles in the future. Compass and its principals and/or related persons may have investments in certain of the entities managed by Compass or its affiliates.

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

### **Code of Ethics**

The Adviser has adopted a Code of Ethics (the "Code") that obligates the Adviser and its related persons to put the interests of the Adviser's clients before their own interests and to act honestly and fairly in all respects in their dealings with clients. All of the Adviser's personnel are also required to comply with applicable federal securities laws. Clients or prospective clients may obtain a copy of the Code by contacting Antonio X. Vidal (Chief Compliance Officer) by telephone at (212) 355-7630. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by related persons.

The Adviser, in the course of its investment management and other activities, may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its

related persons have invested or seek to invest on behalf of clients. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to the client or using such information for the client's benefit. In such circumstances, the Adviser will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that the Adviser possesses such information), or not using such information for the client's benefit, as a result of following the Adviser's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

## Investing in Securities Recommended to Clients

In addition, the Adviser's related persons may invest in the same securities (or related securities, e.g., warrants, options or futures) that the Adviser's related person recommends to clients. Such practices present a conflict where, because of the information an Adviser has, the Adviser's related person are in a position to trade in a manner that could adversely affect clients (e.g., place their own trades before or after client trades are executed in order to benefit from any price movements due to the clients' trades). In addition to affecting the Adviser's related person's objectivity, these practices by the Adviser's related persons may also harm clients by adversely affecting the price at which the clients' trades are executed. The Adviser has adopted the following procedures in an effort to minimize such conflicts: The Adviser requires its related persons/access persons to preclear all transactions in their personal accounts with the Chief Compliance Officer, who may deny permission to execute the transaction if such transaction will have any adverse economic impact on one of its clients. In addition, the Adviser's Code prohibits the Adviser's related persons from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the Chief Compliance Officer. All of the Adviser's related persons are required to disclose their securities transactions on a monthly basis and holdings on a monthly basis. All of the Adviser's related persons are also required to provide broker confirmations of each transaction in which they engage and a monthly certification of such transactions. Trading in employee accounts will be

reviewed by the Chief Compliance Officer and compared with transactions for the client accounts and reviewed against the restricted securities list.

## Conflict of Interest Created by Contemporaneous Trading

The Adviser's related person from time to time recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that the Adviser's related person buys or sells the same securities for its own account in accordance with the procedures described above in order to minimize the conflicts stemming from situations where the contemporaneous trading results in an economic benefit for the Adviser's related person to the detriment of the client.

## Item 12. Brokerage Practices

### Factors Considered in Selecting or Recommending Broker-Dealers for Clients Transactions

The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include net price, reputation, financial strength and stability, efficiency of execution and error resolution. In selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. The Adviser's Chief Compliance Officer, portfolio managers and traders meet periodically to evaluate the broker-dealers used by the Adviser to execute client trades using the foregoing factors.

### Order Aggregation

The Adviser may purchase or sell the same security for many clients contemporaneously and using the same executing broker. It is the Adviser's practice, where possible, to aggregate client orders for the purchase or sale of the same security submitted contemporaneously for execution using the same executing broker. The Adviser will also aggregate in the same transaction, the same securities for accounts where the Adviser has brokerage discretion. Such aggregation may enable the

Adviser to obtain for clients a more favorable price or a better commission rate based upon the volume of a particular transaction. When an aggregated order is completely filled, the Adviser allocates the securities purchased or proceeds of sale pro rata among the participating accounts, based on the purchase or sale order. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. If an aggregated order is only partially filled, the Adviser's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair and equitable to clients. Depending on the investment strategy pursued and the type of security, this may result in a pro rata allocation to all participating clients.

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

### **Frequency and Nature of Review**

Each client account is reviewed by the portfolio manager and senior management of the Adviser, on a monthly basis to determine whether securities positions should be maintained in view of current market conditions. Matters reviewed include specific securities held, adherence to investment guidelines and the performance of each client account.

### **Content and Frequency of Regular Account Reports**

A client's investors receive reports from the client pursuant to the terms of each client's offering memoranda or as otherwise described in the offering document of the client.

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

### **Economic Benefits Received from Non-Clients for Providing Services to Clients**

Compass may refer clients to third parties (individually a "Third Party", and, collectively, the "Third-Parties") who may offer investment advisory or other financial services to such clients. For its referral services, Compass will receive a portion of the fee charged to referred clients by the Third-Parties. Compass has been assured by the Third-Parties that referred clients will not be charged additional fees by virtue of their having been referred by

Compass. Compass will deliver to all clients who are introduced to Third Parties appropriate disclosure regarding the introduction, including information regarding any agreement between Compass and a Third Party and a description of the compensation to be paid to Compass in connection with such referral.

The products and services offered and sold by the Third-Parties may include private investment vehicles, managed accounts, or other investment products managed by Compass (collectively, the "Third Party Products"). Therefore, in connection with such investment management services, certain Third Party Products may pay management and/or performance fees to Compass, as discussed above.

## Compensation to Non-Supervised Persons for Client Referrals

The Adviser makes cash payments to third-party solicitors for client referrals, provided that, to the extent required, each such solicitor has entered into a written agreement with the Adviser pursuant to which the solicitor will provide each prospective client with a copy of the Adviser's Form ADV Part 2, and a disclosure document setting forth the terms of the solicitation arrangement, including the nature of the relationship between the solicitor and Adviser and any fees to be paid to the solicitor. Where applicable, cash payments for client solicitations will be structured to comply fully with the requirements of Rule 206(4)-3 under the Advisers Act and related SEC staff interpretations.

## **Item 15. Custody**

### Custody

The Adviser does not custody client assets.

## **Item 16. Investment Discretion**

### Investment Discretion

The Adviser provides investment advisory services on a discretionary basis to clients (please refer to Item 4. 'Advisory Business' above) for a description of any limitations clients may place on the Adviser's discretionary authority.

Prior to assuming discretion in managing a client's assets, the Adviser enters into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by a discretionary client, the Adviser has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) (ii) the amount of securities to be purchased or sold for the client account. Because of the differences in client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among clients in invested positions and securities held. The Adviser's portfolio managers may consider the following factors, among others, in allocating securities among clients: (i) client investment objectives and strategies; (ii) client risk profiles; (iii) tax status and restrictions placed on a client's portfolio by the client or by applicable law; (iv) size of the client account; (v) nature and liquidity of the security to be allocated; (vi) size of available position; (vii) current market conditions; and (viii) account liquidity, account requirements for liquidity and timing of cash flows. Although it is the Adviser's policy to allocate investment opportunities to eligible client accounts on a pro rata basis (based on the value of the assets each participating account relative to value of the assets of all participating accounts), these factors may lead the Adviser's portfolio manager to allocate securities to client accounts in varying amounts. Even client accounts that are typically managed on a pari passu basis may from time to time receive differing allocations of securities based on total assets of each account eligible to invest in the particular investment type (e.g., equities) divided by the total assets of all accounts eligible to invest in the particular investment.

Allocations will be made among client accounts eligible to participate in initial public offerings (IPOs) and secondary offerings on a pro rata basis, except when the Adviser determines in its discretion that a pro rata allocation is not appropriate, which may include a client's investment guidelines explicitly prohibiting participation in IPOs or secondary offerings and a client's status as a "restricted person" under applicable regulations.

The Adviser may effect cross transactions between discretionary client accounts, except as otherwise noted below. Cross transactions enable the Adviser to effect a trade between two clients for the same security at a set price, thereby possibly avoiding an unfavorable price movement that may be created through entrance into the market and saving commission costs for both accounts. The Adviser has a potentially conflicting division of loyalties and responsibilities regarding both parties to cross transactions. Alternatively, cross transactions between discretionary client accounts for



the same security can also be effected employing a broker-dealer on arms length basis, who independently determines contemporaneously the mid-market price of the security, so as not to favor either client in the transaction, and executes both transactions at substantially reduced commission, which is split evenly between both clients.

If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors and breaches of investment guidelines and restrictions occur, the Adviser's error correction procedure is to ensure that clients are treated fairly and, following error correction, are in the same position they would have been if the error had not occurred. The Adviser has discretion to resolve a particular error in any appropriate manner that is consistent with the above stated policy. In the event that a client account incurs a trade error as a result of the Adviser's gross negligence, willful misconduct, or fraud, trade errors will be corrected by the Adviser as soon as practicable, in a manner such that the client incurs no loss. Trade errors that result other than by breach of the standard of care above are borne by the client account.

## **Item 17. Voting Client Securities**

### **Proxy Policies**

Proxy voting is an important right of shareholders and reasonable care and diligence must be taken to ensure that such rights are properly and timely exercised. When the Adviser has discretion to vote the proxies of its clients, it will vote those proxies in the best interest of its clients and in accordance with these policies and procedures.

Generally, the Adviser will vote in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated), selection of auditors, and increases in or reclassification of common stock.

Generally, the Adviser will vote against proposals that make it more difficult to replace members of the issuer's board of directors, including proposals to stagger the board, cause management to be overrepresented on the board, introduce cumulative voting, introduce unequal voting rights, and create supermajority voting.

For other proposals, the Adviser shall determine whether a proposal is in the best interests of its clients and may take into account the following factors, among others:

- (1) whether the proposal was recommended by management and the Adviser's opinion of management;
- (2) whether the proposal acts to entrench existing management; and
- (3) whether the proposal fairly compensates management for past and future performance.

Clients may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted a client's proxies by contacting the Chief Compliance Officer at telephone (212) 355-7630. Compass may retain a third party to advise it in making proxy decisions for Discretionary Program clients and to process the return of proxies of those clients. Compass will not be responsible or liable for failing to vote any proxies where it has not received such proxies or related communications on a timely basis.

## **Item 18. Financial Information**

### Financial Condition

This is not applicable.

## **Item 19. Requirements for State Registered Advisers**

### Requirements for State Registered Advisers

This is not applicable

## **Appendix 1. Compass Discretionary Fee-Based Program**

**COMPASS GROUP LLC**

**135 East 57<sup>th</sup> Street, 30<sup>th</sup> Floor  
New York, NY 10022**

**(212) 355-7630**

**(212) 355-2015 – Fax**

**[www.compassny.com](http://www.compassny.com)**

**Compass Discretionary Fee-Based Program**

*March 2014*

**This wrap fee program brochure provides information about the qualifications and business practices of Compass Group LLC. If you have any questions about the contents of this brochure, please contact us at (212) 355-7630. 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.**

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

## **Material Changes**

### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

### **Material Changes since the Last Update**

There are no material changes since the last update.

### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (212) 355-7630.

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## Item 4. Services, Fees and Compensation

### INTRODUCTION

Compass Group LLC ("Compass"), a subsidiary of Compass Group Holdings Inc., is registered as an investment adviser with the Securities and Exchange Commission. Compass is headquartered in New York, New York. Compass provides investment advisory services primarily to individuals; banks and thrift institutions; pension and profit sharing plans; trusts, estates and charitable organizations; and corporations and other business entities.

Compass offers a discretionary fee-based program (the "Discretionary Program" or "Program"). Through the Discretionary Program, a client is provided discretionary investment advice based on the client's investment objectives and risk tolerances and brokerage, custodial and administrative services for a single asset-based fee. Also, through the Program, clients retain flexibility to modify their investment models when their needs change or market conditions warrant.

### COMPASS DISCRETIONARY FEE-BASED PROGRAM

Through the Discretionary Program, Compass provides discretionary investment advice through the following investment portfolios. Each portfolio offered through the Discretionary Program requires a minimum account value of \$750,000, although Compass reserves the right to waive the minimum investment for certain clients.

- **Conservative Portfolio** - The Conservative Portfolio's objective is primarily to provide capital appreciation and liquidity, with the opportunity for some capital appreciation. The Conservative Portfolio is designed for risk averse investors who seek to preserve capital and to achieve consistent rates of return over a medium-term horizon.
- **Balanced Portfolio** - The Balanced Portfolio's objective is to provide long-term capital growth by keeping a balanced exposure between fixed income and equity investments. The Balanced Portfolio is designed for long-term investors who are able to accept a moderate degree of risk in order to achieve reasonable wealth enhancement.
- **Growth Portfolio** - The Growth Portfolio's objective is to provide long-term growth by investing in a diversified portfolio with a significant exposure to the equity markets. The Growth Portfolio is designed for long-term investors who are able to accept a higher degree of risk in order to achieve a high level of wealth enhancement.
- **Aggressive Growth Portfolio** - The Aggressive Growth Portfolio's objective is to provide long-term growth by investing in a diversified portfolio with exposure to the equity markets and other equity related securities and / or other alternative investments. The Aggressive Growth Portfolio is designed for long-term investors who are able to accept a higher degree of risk in order to achieve a high level of wealth enhancement.

To achieve their investment objectives, the Portfolios may invest in shares of mutual funds, closed-end funds and exchange-traded funds ("ETFs"); structured products and global equities and fixed-income instruments. Within each Portfolio, allocations are determined by Compass based upon the current investment environment and the Portfolio's investment objective.

Investment advice is provided to clients by Compass and brokerage, custodial and administrative services are provided to clients through CG Compass (USA) LLC ("CG Compass"), an affiliated registered broker-dealer and member of Financial Industry Regulatory Authority ("FINRA"), and its clearing broker. Program clients are required to establish accounts at CG Compass.

#### DISCRETIONARY PROGRAM FEES

The Discretionary Program is subject to a program fee that is based upon a percentage of the average monthly balance of assets under management during the preceding calendar quarter (the "Program Fee"). The Program Fee is charged quarterly in arrears and covers the investment advisory services provided by Compass and the brokerage, custodial and administrative services provided by CG Compass and its clearing broker during the preceding quarter. The Program Fee will be pro-rated for any partial quarter.

The following schedule reflects the Program Fee, which is expressed as an annual rate:

<b><u>Assets Under Management (AUM)</u></b>	<b><u>Program Fee (% of AUM)</u></b>
First \$2,000,000	1.50%
Next \$2,000,000	1.25%
Next \$2,000,000	1.00%
Over \$6,000,000	Negotiable

In general, 50% to 75% of the Program Fee is for discretionary advisory services.

The Program Fee is negotiable and may differ from client to client based upon a number of factors, including, but not limited to, the type and size of the account, the expected number of trades for the account, the number of securities held in the account, other account relationships with the client, and the number and range of the supplementary advisory and client-related services to be provided to the account.

The Program Fee does not include: (i) annual account fees or other administrative fees, such as wire fees, charged by CG Compass; (ii) underwriting or dealer concessions or related compensation in connection with securities acquired in underwritten offerings; (iii) certain odd-lot differentials, transfer taxes, SEC fees, postage and handling fees, and charges imposed by law with regard to transactions in the client's account; and (iv) advisory fees and expenses of mutual funds (including money market funds), closed-end investment companies or other managed investments, if any are held in a client's account.

The Program Fee does not cover certain costs associated with securities transactions in the over-the-counter market where CG Compass or its clearing broker must approach a dealer or market maker to purchase or sell the security. Such costs include a mark-up, markdown or spread charged by a dealer or market maker and odd lot differentials or transfer taxes imposed by law. The Program Fee also does not include any commissions or other brokerage or transfer fees that other broker-dealers may receive. If CG Compass executes a transaction as principal, it may receive a spread in the net price in connection with such transaction to the extent permitted by law, but will not receive commissions, mark-ups or mark-downs. Any spread in the net price will be in addition to the Program Fee.



The Program Fee will be applied to a client's account regardless of whether or not the client previously paid a brokerage commission or similar fee in connection with the purchase of securities transferred into the Program account. In some cases, a client may have paid CG Compass or its clearing broker compensation for the purchase of those securities. Clients should consider whether it is appropriate to make such transfers.

The Program may cost a client more or less than purchasing the services offered through the Program separately. Because Compass may receive more compensation from a client from the client's participation in a Program than if the client received advisory services and brokerage and other services separately, Compass has a financial incentive to recommend the Program over other types of advisory services. To compare the costs of the bundled services offered through the Program with the costs of unbundled services, a client should consider the turnover rate in the account, trading activity in the account and standard advisory fees that would be charged by other investment advisers and brokerage commissions and fees that would be charged by CG Compass and other broker-dealers.

The Program Fee may be higher than similar fees charged by other investment advisers for comparable services, and there may be other investment advisers who can provide comparable types of services for a lower fee.

The Program may not be suitable for clients whose accounts have less than a certain number of transactions per year, for clients choosing to have assets of an account held in custody by an organization other than through CG Compass and its clearing broker, or for clients who simply want to purchase individual securities. Due to the nature of the Program Fee, Compass may be regarded as having a conflict of interest in that it may realize a greater profit on a Program account with a relatively low rate of portfolio turnover compared to other types of accounts, assuming the same level of fees.

Mutual funds, closed-end funds and ETFs pay management and other fees that are separate from the Program Fee. When a client's assets are invested in such funds, a client will incur the client's proportionate share of the fund's expenses (as a shareholder of the fund) as well as the Program Fee. Clients should be aware that mutual funds purchased for a Program account may pay a Rule 12b-1, shareholder servicing or other fee to CG Compass and that a fund's registration statement contains information on these fees and other expenses of the fund.

#### *Performance Fee*

Under certain circumstances, a Discretionary Program client paying a Program Fee may also pay a performance fee ("Performance Fee") to Compass with respect to the client's Investment Account. The Performance Fee, which is subject to the loss carryforward (or high water mark) provision described below, shall be equal to an agreed-upon percentage (e.g., 10 % to 20%) of the amount by which the net profits of the Investment Account exceed a non-cumulative hurdle rate (e.g., 5%).

No Performance Fee shall be payable to Compass until the net profits for the current year exceed the Investment Account's loss carryforward amount applicable to the current year. The Investment Account's loss carryforward amount applicable to the current year shall be the sum of all prior year net losses of the Investment Account not subsequently offset by prior year net profits; provided that the loss carryforward amount shall be reduced proportionately to reflect any net withdrawals from the Investment Account.

Compass may, in its sole discretion, waive or reduce the Performance Fee. The Performance Fee shall be payable within 30 days of the end of any year in which it is earned. Compass shall provide Client with a calculation of such Performance Fee promptly following the end of each such year. In the event the Agreement is terminated at any time other than the end of a year, the Performance Fee shall be calculated as though the termination date were the last day of a year.

Only clients who represent that they have at least \$750,000 under management with Compass, have a net worth of more than \$1,500,000 (individually or held jointly with a spouse), or are “qualified purchasers” as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940 are eligible to pay the Performance Fee. The Performance Fee could give Compass a financial incentive to make investment decisions on behalf of performance fee clients that are riskier or more speculative. Because the calculation of the Performance Fee takes into consideration unrealized gains that may never be realized, the Performance Fee may be greater than it would be if it were based solely on realized gains.

#### **BROKERAGE AND CUSTODIAL SERVICES**

As noted above, Program clients are required to establish accounts at CG Compass. CG Compass is an affiliate of Compass as Compass and CG Compass are under common ownership.

CG Compass is an introducing broker-dealer only. Pershing LLC (“Pershing”), a broker-dealer registered with the SEC and a member of the New York Stock Exchange, Inc., serves as CG Compass’ clearing broker and carries accounts for CG Compass’ clients on a fully-disclosed basis. Program client funds and securities will be custodied at Pershing. For its services, Pershing will receive a portion of any compensation paid to CG Compass.

Compass intends (subject to its best execution obligations) to effect all or substantially all securities transactions for clients through CG Compass and its clearing broker.

### **Item 5. Account Requirements and Types of Clients**

Each portfolio offered through the Discretionary Program requires a minimum account value of \$750,000, although Compass reserves the right to waive the minimum investment for certain clients.

Compass provides investment advisory services primarily to individuals; banks and thrift institutions; pension and profit sharing plans; trusts, estates and charitable organizations; and corporations and other business entities.

### **Item 6. Portfolio Manager Selection and Evaluation**

Supervised persons of the Adviser act as portfolio managers for the Program.

#### **EDUCATION AND BUSINESS STANDARDS**

Generally, Compass requires a college degree and exposure to the securities industry for any persons involved in determining or giving investment advice to clients.

## TYPES OF INVESTMENTS

Compass provides investment advice with respect to the following types of investments: equity securities (exchange-listed, over-the-counter and foreign issuers); warrants; corporate debt securities; commercial paper; certificates of deposit; municipal securities; shares of mutual funds; U.S. government securities; option contracts on securities; and interests in private investment vehicles.

## METHODS OF ANALYSIS, SOURCES OF INFORMATION AND INVESTMENT STRATEGIES

Compass employs a “fundamental” approach to security analysis by using the following sources of information: financial newspapers and magazines; inspections of corporate activities; research materials prepared by others; corporate rating services; financial reports and SEC filings; and company press releases. Compass may use one or more of the following investment strategies to implement any investment advice given to Discretionary Program clients: (i) long term purchases (securities held at least a year); (ii) short term purchases (securities sold within a year); (iii) trading (securities sold within 30 days); (iv) short sales; (v) margin transactions; and (vi) option writing, including covered options, uncovered options or spreading strategies.

## PROXY VOTING POLICY

Unless a Discretionary Program client authorizes Compass in writing to vote proxies with respect to investments in the client's Program account, Compass will not vote any proxies for securities or exercise voting rights with respect to investment in the client's Program account (including without limitation matters relating to conversions, exchanges, mergers, stock splits, rights offerings, recapitalizations and reorganizations). In addition, Compass will not act for Program clients in any legal proceedings, including class actions or bankruptcies, with respect to securities held in a Program client's account.

When Compass has been authorized by a Discretionary Program client to vote proxies, it will vote those proxies in the best interest of the client and in accordance with these policies and procedures. Generally, Compass will vote in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated), selection of auditors, and increases in or reclassification of common stock. Generally, Compass will vote against proposals that make it more difficult to replace members of the issuer's board of directors, including proposals to stagger the board, cause management to be overrepresented on the board, introduce cumulative voting, introduce unequal voting rights, and create supermajority voting.

For other proposals, Compass shall determine whether a proposal is in the best interests of its clients and may take into account the following factors, among others:

- (1) whether the proposal was recommended by management and Compass's opinion of management;
- (2) whether the proposal acts to entrench existing management; and
- (3) whether the proposal fairly compensates management for past and future performance.

Discretionary Program clients that have authorized Compass to vote proxies may contact Gerard Benares at (212) 355-7630 to obtain information regarding proxy voting, including Compass' proxy voting policies and procedures.

Compass may retain a third party to advise it in making proxy decisions for Discretionary Program clients and to process the return of proxies of those clients. Compass will not be responsible or liable for failing to vote any proxies where it has not received such proxies or related communications on a timely basis.

## **Item 7. Client Information Provided to Portfolio Managers**

Compass as sponsor and portfolio manager of the Program has constant access to all client information.

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

Clients are not restricted to contact and consult with sponsor or portfolio managers.

## **Item 9. Additional Information**

### **DISCIPLINARY INFORMATION**

The Adviser and its employees have not been involved in any legal or disciplinary events related to past or present investment clients.

### **OTHER FINANCIAL AND INDUSTRY ACTIVITIES OR AFFILIATIONS**

Compass has arrangements that are material to its advisory business or its clients with CG Compass, which as noted above is under common ownership with Compass. Although, in general, Compass does not use the services of CG Compass to execute trades for its other investment advisory clients, Compass will use CG Compass to execute trades for Discretionary Program clients. Clients participating in the Program will be clients of both Compass and CG Compass. Certain personnel of Compass may spend some of their time on activities related to CG Compass, and there is an expense sharing arrangement between Compass and CG Compass with regard to common costs.

Compass may act as general partner, management company or investment manager to certain private investment vehicles formed to invest and trade in the types of securities and other investments listed below above "Types of Investments" in Item 6. above.

### **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

Compass and its principals and/or related persons may serve as general manager, management company, or investment adviser to certain private investment vehicles and may organize additional private investment vehicles in the future. Compass and its principals and/or related persons may have investments in certain of the entities managed by Compass or its affiliates. Further, Compass and its principals and/or related persons conduct investment transactions for their own accounts.

Compass may from time to time recommend that client accounts invest in securities in which Compass or its employees or affiliates also invest for their own accounts. In such cases the client's interests are always paramount. Compass has adopted a Code of Ethics that prohibits its employees from purchasing or selling securities unless the employee's proposed trade has been pre-approved by Compass. Compass requires its employees to report their personal securities transactions. Investment transactions for an employee's account are reviewed carefully and continuously to ascertain whether any possible conflicts of interest are presented by such investments. Any potential conflict of interest will be reviewed by Compass' management (and counsel, if necessary) to determine an appropriate resolution. Clients and prospective clients may obtain a copy of Compass' Code of Ethics by calling (212) 355-7630.

Certain portfolio managers of Compass are also registered representatives of CG Compass. These portfolio managers may receive compensation from CG Compass in connection with client securities transactions effected by CG Compass for the Program accounts they manage. These portfolio managers have a financial incentive to recommend the Program over other services offered by Compass and to use CG Compass to effect securities transactions for the Program accounts they manage. As registered representatives, they may also make investment recommendations to their brokerage customers that could lead to the purchase or sale of securities that are held in Program accounts.

## REVIEW OF ACCOUNTS

All accounts are continually reviewed by portfolio managers of Compass: Manuel J. Balbontin, Jorge Aguilo, Anabel Vidal, Heiner Steidle and Antonio Vidal. Compass may recommend securities transactions for accounts based upon economic and market conditions, client needs, price targets and favorable or unfavorable news about an issuer or the markets in general.

Discretionary Program clients will receive quarterly reports from Compass reflecting invested assets and transactions that occurred during the previous quarter.

## INVESTMENT OR BROKERAGE DISCRETION

Compass generally has the authority over the selection and amount of securities to be bought or sold for Discretionary Program clients without obtaining specific client consent. In general, Compass will aggregate orders for which it has discretion to obtain efficiencies that may be available on large transactions and to better administer all accounts. In some cases, this policy may cause an account to receive a less favorable price than if the account's order had not been aggregated. If an aggregated order can be only partially filled, Compass will allocate securities to the account on a pro-rata basis, based on order size. Exceptions may occur if the allocation would result in the client receiving only a *de minimis* amount of securities. Compass will allocate initial public offerings (IPOs) to eligible discretionary accounts on an equitable basis. An account may participate in an IPO if Compass believes that, based on the account's investment restrictions, risk profile, asset composition and cash levels, the IPO is an appropriate investment and the account is otherwise eligible under applicable FINRA rules.

Compass also has the authority over the selection of the broker to be used and the commission rates to be paid for Discretionary Program clients without obtaining specific client consent. In selecting brokers or dealers to execute transactions for discretionary accounts, Compass will take into account the financial stability and reputation of brokerage firms, their execution capability and responsiveness, their brokerage and research services and the size and type of the transaction.

When a client for whom Compass provides discretionary investment management services requests or instructs Compass to direct a portion of the securities transactions for its account to a specified broker-dealer, Compass will treat the client direction as a decision by the client to retain, to the extent of the direction, the discretion Compass would otherwise have in selecting broker-dealers to effect transactions and in negotiating commissions generally for the client's discretionary account. This means that Compass will not negotiate commissions on behalf of clients who direct Compass to use a specific broker, and those clients will therefore not benefit from any savings in execution costs Compass may realize for non-directing clients through negotiations of commission rates with other broker-dealers. Although Compass will attempt to effect such directed transactions in a manner consistent with its policy of seeking best execution and price on each transaction, there may be occasions where it is unable to do so, in which case Compass will continue to comply with the client's instructions on the foregoing basis. The client, therefore, should consider whether commissions, execution, clearance and settlement capabilities, and fees for custodial or other services provided to the client by the broker-dealer (if applicable) for directed trades will be comparable to those otherwise obtainable. A client making such a

designation also should understand that it may lose the possible advantage that non-designating clients derive from aggregation of orders for several clients as a single transaction for the purchase or sale of a particular security. The client who directs Compass to use a specific broker may pay higher commissions or receive less favorable execution on some transactions at least in part because the directed broker may maintain a higher commission schedule or provide less favorable service or because such transactions may be excluded from combined orders and any corresponding economies of scale. In addition, such client may not be able to participate in an allocation of shares of a new issue if those shares are sold by another broker.

In selecting brokers or dealers to execute transactions for discretionary accounts, Compass need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not Compass' practice to negotiate "execution only" commission rates, thus clients may be deemed to be paying for research and related services (i.e., "soft dollars") provided by the broker that are included in the commission rate. Research and related services furnished by brokers may include, but are not limited to, written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications; statistical and pricing services, as well as discussions with research personnel and certain software used in the investment management process. In negotiating commission rates, Compass will take into account the financial stability and reputation of brokerage firms, referrals of prospective investors (consistent with best execution) and the brokerage, research or related services provided by such brokers, although each of its clients may not, in any particular instance, be the sole direct or indirect beneficiary of the research or related services provided. Research or related services obtained by the use of commissions arising out of Compass' managed account activities may be used by Compass in its other investment activities. Selecting brokers on the basis of considerations that are not limited to applicable commission rates may result in higher transaction costs than would otherwise be obtainable.

In some instances, Compass may receive research or other products or services that may be used for both research and non-research purposes. In such instances, Compass will make a good faith effort to determine the relative proportion of research used to assist Compass in carrying out its investment decision making responsibilities and the relative proportion attributable to administrative or other non-research purposes. Compass will pay for the administrative and non-research portion of the products or services from its own resources. The remaining portion will be paid through brokerage commissions generated by client transactions.

Compass periodically reviews the research and related services it obtains from brokers and the commissions charged with respect to such services (i) to determine whether the commissions are reasonable in relation to the value of the research and related services and (ii) to ensure that the research and related services provide lawful and appropriate assistance to Compass in the performance of its investment decision making responsibilities.

Compass may from time to time effect cross trades between discretionary client accounts. This may include rebalancing transactions that are undertaken so that, after withdrawals or contributions have occurred, the portfolio compositions of similarly managed accounts remain substantially similar. Cross trades will be effected either by trading the security in the open market or by a direct transfer between client accounts. In either case, a cross trade will be effected at the independent market price of the security subject to the trade. Cross trades between client accounts are not permitted if they would constitute principal trades or trades for which Compass or its affiliates are compensated as brokers unless client consent has been obtained. Such trades will not be conducted for private benefit plan clients that are subject to ERISA. Such trades will be conducted for or with any registered open-end investment company for which Compass serves as investment adviser (or sub-adviser) only in accordance with the Rule 17a-7 procedures duly adopted by the directors/trustees of such company.

### ADDITIONAL COMPENSATION

Compass may refer clients to third parties (individually a "Third Party", and, collectively, the "Third-Parties") who may offer investment advisory or other financial services to such clients. For its referral services, Compass will receive a portion of the fee charged to referred clients by the Third-Parties. Compass has been assured by the Third-Parties that referred clients will not be charged additional fees by virtue of their having been referred by Compass. Compass will deliver to all clients who are introduced to Third Parties appropriate disclosure regarding the introduction, including information regarding any agreement between Compass and a Third Party and a description of the compensation to be paid to Compass in connection with such referral.

The products and services offered and sold by the Third-Parties may include private investment vehicles, managed accounts, or other investment products managed by Compass (collectively, the "Third Party Products"). Therefore, in connection with such investment management services, certain Third Party Products may pay management and/or performance fees to Compass, as discussed above.

Compass may provide asset allocation services to clients in a discretionary manner, and, therefore, may have the discretion to allocate a client's assets to and between Third Party Products. In such instances, Compass has an incentive to allocate client assets to Third Party Products that it manages. Nevertheless, Compass will not make any recommendation relating to the asset allocation services it provides, or otherwise, unless it believes that such recommendation is in the best interest of the client, and is, in its reasonable judgment, fair and equitable to investors considering all of the particular facts and circumstances involved.

Compass may enter into arrangements under which it compensates third parties for client referrals. Such arrangements will be in compliance with Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended. Neither clients nor investors in related investment vehicles will be charged additional commissions or fees for placing their assets with Compass. In general, third party solicitors will receive a portion of the asset management fee charged by Compass.

When Compass determines to purchase shares of mutual funds for a Discretionary Program client, Compass will effect such purchase through CG Compass. In general, Compass recommends the purchase of no-load mutual funds, which do not generate sales charges, but CG Compass may receive Rule 12b-1 or shareholder servicing fees from the mutual funds for the period of time in which the assets are invested.

### ADDITIONAL INFORMATION

Certain advisory clients of Compass may not participate in the Program and their overall costs may be lower than those paid by Program clients. Because the investment objectives and specific circumstances of those accounts may differ from those of Program clients, the timing of such transactions may not coincide with the timing of portfolio transactions for Program clients. In addition, Compass and its members, officers, employees and affiliates may purchase or sell securities that Compass does not recommend to or include in client portfolios because such securities do not meet the investment guidelines established by Program clients.

## **Item 10. Requirements for State-Registered Advisers**

This item is not applicable.



## **Appendix 2. Compass Non-Discretionary Fee-Based Program**

## **COMPASS GROUP LLC**

**135 East 57<sup>th</sup> Street, 30<sup>th</sup> Floor  
New York, NY 10022**

**(212) 355-7630**

**(212) 355-2015 – Fax**

**[www.compassny.com](http://www.compassny.com)**

### **Compass Non-Discretionary Fee-Based Program**

*March 2014*

**This wrap fee program brochure provides information about the qualifications and business practices of Compass Group LLC. If you have any questions about the contents of this brochure, please contact us at (212) 355-7630. 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.**

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

## **Material Changes**

### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

### **Material Changes since the Last Update**

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization. There are no material changes since the last update.

### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (212) 355-7630.

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## Item 4. Services, Fees and Compensation

### INTRODUCTION

Compass Group LLC ("Compass"), a subsidiary of Compass Group Holdings Inc., is registered as an investment adviser with the Securities and Exchange Commission. Compass is headquartered in New York, New York. Compass provides investment advisory services primarily to individuals; banks and thrift institutions; pension and profit sharing plans; trusts, estates and charitable organizations; and corporations and other business entities.

Compass offers a discretionary fee-based program (the "Non-Discretionary Program" or "Program"). Through the Non-Discretionary Program, a client is provided Non-Discretionary investment advice based on the client's investment objectives and risk tolerances and brokerage, custodial and administrative services for a single asset-based fee. Also, through the Program, clients retain flexibility to modify their investment models when their needs change or market conditions warrant.

### COMPASS NON-DISCRETIONARY FEE-BASED PROGRAM

Through the Non-Discretionary Program, Compass provides Non-Discretionary investment advice based upon a client's investment objective and strategies. Although Compass may recommend securities or brokers to a client participating in the Non-Discretionary Program, the client is responsible for selecting securities for the client's account and selecting brokers or dealers to effect any transaction for the client's account. The Non-Discretionary Program requires a minimum account value of \$750,000, although Compass reserves the right to waive the minimum investment for certain clients.

Investment advice is provided to clients by Compass and brokerage, custodial and administrative services are provided to clients through CG Compass (USA) LLC ("CG Compass"), an affiliated registered broker-dealer and member of Financial Industry Regulatory Authority ("FINRA"), and its clearing broker. Program clients are required to establish accounts at CG Compass.

### NON-DISCRETIONARY PROGRAM FEES

The Non-Discretionary Program is subject to a program fee that is based upon a percentage of the average monthly balance of assets under management during the preceding calendar quarter (the "Program Fee"). The Program Fee is charged quarterly in arrears and covers the investment advisory services provided by Compass and the brokerage, custodial and administrative services provided by CG Compass and its clearing broker during the preceding quarter. The Program Fee will be pro-rated for any partial quarter.

The following schedule reflects the Program Fee, which is expressed as an annual rate:

<b><u>Assets Under Management (AUM)</u></b>	<b><u>Program Fee (% of AUM)</u></b>
First \$2,000,000	1.00%
Next \$2,000,000	0.80%
Next \$2,000,000	0.50%
Over \$6,000,000	Negotiable

In general, 50% to 75% of the Program Fee is for discretionary advisory services.

The Program Fee is negotiable and may differ from client to client based upon a number of factors, including, but not limited to, the type and size of the account, the expected number of trades for the account, the number of securities held in the account, other account relationships with the client, and the number and range of the supplementary advisory and client-related services to be provided to the account.

The Program Fee does not include: (i) annual account fees or other administrative fees, such as wire fees, charged by CG Compass; (ii) underwriting or dealer concessions or related compensation in connection with securities acquired in underwritten offerings; (iii) certain odd-lot differentials, transfer taxes, SEC fees, postage and handling fees, and charges imposed by law with regard to transactions in the client's account; and (iv) advisory fees and expenses of mutual funds (including money market funds), closed-end investment companies or other managed investments, if any are held in a client's account.

The Program Fee does not cover certain costs associated with securities transactions in the over-the-counter market where CG Compass or its clearing broker must approach a dealer or market maker to purchase or sell the security. Such costs include a mark-up, markdown or spread charged by a dealer or market maker and odd lot differentials or transfer taxes imposed by law. The Program Fee also does not include any commissions or other brokerage or transfer fees that other broker-dealers may receive. If CG Compass executes a transaction as principal, it may receive a spread in the net price in connection with such transaction to the extent permitted by law, but will not receive commissions, mark-ups or mark-downs. Any spread in the net price will be in addition to the Program Fee.

The Program Fee will be applied to a client's account regardless of whether or not the client previously paid a brokerage commission or similar fee in connection with the purchase of securities transferred into the Program account. In some cases, a client may have paid CG Compass or its clearing broker compensation for the purchase of those securities. Clients should consider whether it is appropriate to make such transfers.

The Program may cost a client more or less than purchasing the services offered through the Program separately. Because Compass may receive more compensation from a client from the client's participation in a Program than if the client received advisory services and brokerage and other services separately, Compass has a financial incentive to recommend the Program over other types of advisory services. To compare the costs of the bundled services offered through the Program with the costs of unbundled services, a client should consider the turnover rate in the account, trading activity in the account and standard advisory fees that would be charged by other investment advisers and brokerage commissions and fees that would be charged by CG Compass and other broker-dealers.

The Program Fee may be higher than similar fees charged by other investment advisers for comparable services, and there may be other investment advisers who can provide comparable types of services for a lower fee.

The Program may not be suitable for clients whose accounts have less than a certain number of transactions per year, for clients choosing to have assets of an account held in custody by an organization other than through CG Compass and its clearing broker, or for clients who simply want to purchase individual securities. Due to the nature of the Program Fee, Compass may be regarded as having a conflict of interest in that it may realize a greater profit on a Program account with a relatively low rate of portfolio turnover compared to other types of accounts, assuming the same level of fees.

Mutual funds, closed-end funds and ETFs pay management and other fees that are separate from the Program Fee. When a client's assets are invested in such funds, a client will incur the client's proportionate share of the fund's expenses (as a shareholder of the fund) as well as the Program Fee. Clients should be aware that mutual funds purchased for a Program account may pay a Rule 12b-1, shareholder servicing or other fee to CG Compass and that a fund's registration statement contains information on these fees and other expenses of the fund.

#### **BROKERAGE AND CUSTODIAL SERVICES**

As noted above, Program clients are required to establish accounts at CG Compass. CG Compass is an affiliate of Compass as Compass and CG Compass are under common ownership.

CG Compass is an introducing broker-dealer only. Pershing LLC ("Pershing"), a broker-dealer registered with the SEC and a member of the New York Stock Exchange, Inc., serves as CG Compass' clearing broker and carries accounts for CG Compass' clients on a fully-disclosed basis. Program client funds and securities will be custodied at Pershing. For its services, Pershing will receive a portion of any compensation paid to CG Compass.

Compass intends (subject to its best execution obligations) to effect all or substantially all securities transactions for clients through CG Compass and its clearing broker.

### **Item 5. Account Requirements and Types of Clients**

Each portfolio offered through the Non-Discretionary Program requires a minimum account value of \$750,000, although Compass reserves the right to waive the minimum investment for certain clients.

Compass provides investment advisory services primarily to individuals; banks and thrift institutions; pension and profit sharing plans; trusts, estates and charitable organizations; and corporations and other business entities.

### **Item 6. Portfolio Manager Selection and Evaluation**

Supervised persons of the Adviser act as portfolio managers for the Program.

#### **EDUCATION AND BUSINESS STANDARDS**

Generally, Compass requires a college degree and exposure to the securities industry for any persons involved in determining or giving investment advice to clients.

#### **TYPES OF INVESTMENTS**

Compass provides investment advice with respect to the following types of investments: equity securities (exchange-listed, over-the-counter and foreign issuers); warrants; corporate debt securities; commercial paper; certificates of deposit; municipal securities; shares of mutual funds; U.S. government securities; option contracts on securities; and interests in private investment vehicles.

## METHODS OF ANALYSIS, SOURCES OF INFORMATION AND INVESTMENT STRATEGIES

Compass employs a “fundamental” approach to security analysis by using the following sources of information: financial newspapers and magazines; inspections of corporate activities; research materials prepared by others; corporate rating services; financial reports and SEC filings; and company press releases.

## PROXY VOTING POLICY

If requested by a Non-Discretionary Program client, Compass may recommend actions with respect to proxy decisions and may retain a third party to advise it in making such recommendations. When Compass has been authorized by a client to recommend actions with respect to proxy decisions, it will recommend such actions in accordance with its proxy voting policies and procedures. Generally, Compass will recommend votes in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated), selection of auditors, and increases in or reclassification of common stock. Generally, Compass will recommend votes against proposals that make it more difficult to replace members of the issuer’s board of directors, including proposals to stagger the board, cause management to be overrepresented on the board, introduce cumulative voting, introduce unequal voting rights, and create supermajority voting.

For other proposals, Compass shall determine whether a proposal is in the best interests of its clients and may take into account the following factors, among others:

- (1) whether the proposal was recommended by management and Compass’s opinion of management;
- (2) whether the proposal acts to entrench existing management; and
- (3) whether the proposal fairly compensates management for past and future performance.

Clients may obtain a copy of Compass’ proxy voting policies and procedures by contacting Gerard Benares at (212) 355-7630.

## **Item 7. Client Information Provided to Portfolio Managers**

Compass as sponsor and portfolio manager of the Program has constant access to all client information.



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

Clients are not restricted to contact and consult with sponsor or portfolio managers.

## **Item 9. Additional Information**

### **DISCIPLINARY INFORMATION**

The Adviser and its employees have not been involved in any legal or disciplinary events related to past or present investment clients.

### **OTHER FINANCIAL AND INDUSTRY ACTIVITIES OR AFFILIATIONS**

Compass has arrangements that are material to its advisory business or its clients with CG Compass, which as noted above is under common ownership with Compass. Although, in general, Compass does not use the services of CG Compass to execute trades for its other investment advisory clients, Compass will use CG Compass to execute trades for Non-Discretionary Program clients. Clients participating in the Program will be clients of both Compass and CG Compass. Certain personnel of Compass may spend some of their time on activities related to CG Compass, and there is an expense sharing arrangement between Compass and CG Compass with regard to common costs.

Compass may act as general partner, management company or investment manager to certain private investment vehicles formed to invest and trade in the types of securities and other investments listed below above "Types of Investments" in Item 6. above.

### **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

Compass and its principals and/or related persons may serve as general manager, management company, or investment adviser to certain private investment vehicles and may organize additional private investment vehicles in the future. Compass and its principals and/or related persons may have investments in certain of the entities managed by Compass or its affiliates. Further, Compass and its principals and/or related persons conduct investment transactions for their own accounts.

Compass may from time to time recommend that client accounts invest in securities in which Compass or its employees or affiliates also invest for their own accounts. In such cases the client's interests are always paramount. Compass has adopted a Code of Ethics that prohibits its employees from purchasing or selling securities unless the employee's proposed trade has been pre-approved by Compass. Compass requires its employees to report their personal securities transactions. Investment transactions for an employee's account are reviewed carefully and continuously to ascertain whether any possible conflicts of interest are presented by such investments. Any potential conflict of interest will be reviewed by Compass' management (and counsel, if necessary) to determine an appropriate resolution. Clients and prospective clients may obtain a copy of Compass' Code of Ethics by calling (212) 355-7630.

Certain portfolio managers of Compass are also registered representatives of CG Compass. These portfolio managers may receive compensation from CG Compass in connection with client securities transactions effected by CG Compass for the Program accounts they manage. These portfolio managers have a financial incentive to recommend the Program over other services offered by Compass and to use CG Compass to effect securities transactions for the Program accounts they manage. As registered representatives, they may also make investment recommendations to their brokerage customers that could lead to the purchase or sale of securities that are held in Program accounts.

## REVIEW OF ACCOUNTS

All accounts are continually reviewed by portfolio managers of Compass: Manuel J. Balbontin, Jorge Aguilo, Anabel Vidal, Heiner Steidle and Antonio Vidal. Compass may recommend securities transactions for accounts based upon economic and market conditions, client needs, price targets and favorable or unfavorable news about an issuer or the markets in general.

## INVESTMENT OR BROKERAGE DISCRETION

Compass does not have investment or brokerage discretion for accounts of Non-Discretionary Program clients. In recommending brokers or dealers to execute transactions for these accounts, Compass will take into account the financial stability and reputation of brokers, their execution capability and responsiveness, their brokerage and research services and the size and type of the transaction.

## ADDITIONAL COMPENSATION

Compass may refer clients to third parties (individually a "Third Party", and, collectively, the "Third-Parties") who may offer investment advisory or other financial services to such clients. For its referral services, Compass will receive a portion of the fee charged to referred clients by the Third-Parties. Compass has been assured by the Third-Parties that referred clients will not be charged additional fees by virtue of their having been referred by Compass. Compass will deliver to all clients who are introduced to Third Parties appropriate disclosure regarding the introduction, including information regarding any agreement between Compass and a Third Party and a description of the compensation to be paid to Compass in connection with such referral.

The products and services offered and sold by the Third-Parties may include private investment vehicles, managed accounts, or other investment products managed by Compass (collectively, the "Third Party Products"). Therefore, in connection with such investment management services, certain Third Party Products may pay management and/or performance fees to Compass, as discussed above.

Compass may provide asset allocation services to clients in a discretionary manner, and, therefore, may have the discretion to allocate a client's assets to and between Third Party Products. In such instances, Compass has an incentive to allocate client assets to Third Party Products that it manages. Nevertheless, Compass will not make any recommendation relating to the asset allocation services it provides, or otherwise, unless it believes that such recommendation is in the best interest of the client, and is, in its reasonable judgment, fair and equitable to investors considering all of the particular facts and circumstances involved.

Compass may enter into arrangements under which it compensates third parties for client referrals. Such arrangements will be in compliance with Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended. Neither clients nor investors in related investment vehicles will be charged additional commissions or fees for placing their assets with Compass. In general, third party solicitors will receive a portion of the asset management fee charged by Compass.

When Compass determines to purchase shares of mutual funds for a Non-Discretionary Program client, Compass will effect such purchase through CG Compass. In general, Compass recommends the purchase of no-load mutual funds, which do not generate sales charges, but CG Compass may receive Rule 12b-1 or shareholder servicing fees from the mutual funds for the period of time in which the assets are invested.

#### ADDITIONAL INFORMATION

Certain advisory clients of Compass may not participate in the Program and their overall costs may be lower than those paid by Program clients. Because the investment objectives and specific circumstances of those accounts may differ from those of Program clients, the timing of such transactions may not coincide with the timing of portfolio transactions for Program clients. In addition, Compass and its members, officers, employees and affiliates may purchase or sell securities that Compass does not recommend to or include in client portfolios because such securities do not meet the investment guidelines established by Program clients.

### **Item 10. Requirements for State-Registered Advisers**

This item is not applicable.