

**ITEM 1: COVER PAGE**



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**ENCOMPASS CAPITAL ADVISORS LLC**

**Form ADV Part 2A: Firm Brochure**

**March 28, 2024**

This brochure (the "Brochure") provides information about the qualifications and business practices of Encompass Capital Advisors LLC (hereinafter "Encompass" or the "Adviser"). For more information on the disclosure requirements required for Part 2A, see the "General Instructions for Part 2 of Form ADV" by visiting [www.sec.gov/rules/final/2010/ia-3060.pdf](http://www.sec.gov/rules/final/2010/ia-3060.pdf). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer via telephone at 646-351-8468 or via email at [mcuccia@encompasscap.com](mailto:mcuccia@encompasscap.com).

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

The Adviser is registered as an investment adviser with the United States Securities and Exchange Commission (the "SEC") under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

## **Item 2: Material Changes**

Encompass' last update to its Brochure was on October 25, 2023, and, prior to that, the Adviser's last annual update was on March 31, 2023. The Adviser's business activities have not changed materially since the time of that update. This Brochure has been updated to reflect the Adviser's regulatory assets under management as of December 31, 2023, and to supplement existing disclosures.

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## Item 4: Advisory Business

The Adviser is an investment adviser organized as a limited liability company under the laws of the State of Delaware, with a principal place of business in New York, New York. The Adviser commenced operations as an investment adviser on February 1, 2012 and filed an initial application to register as an investment adviser with the SEC on February 14, 2012. Todd Kantor (the "Portfolio Manager") is the founder, principal owner and portfolio manager of the Adviser. The investment decision-making authority is principally vested with the Portfolio Manager.

The Adviser serves as an investment manager and provides investment advisory services on a discretionary basis to private pooled investment vehicles (the "Funds") that are offered to investors satisfying the applicable eligibility and suitability requirements, either in private offerings within the United States or in offshore transactions. In addition, the Adviser also provides investment sub-advisory services (as "Sub-Adviser") to institutional investors through sub-advised accounts (the "Sub-advised Accounts" and collectively with the "Funds", the "Client Accounts").

The Adviser's investment advisory services generally focus on advice related to investments, both long and short, in the equity and equity-linked securities of companies in the United States and abroad in energy, alternate energy and related markets.

The Adviser provides investment advice directly to the Client Accounts and not individually to investors in the Client Accounts (the "Investors"). The Adviser does not tailor advisory services to the individual needs of Investors.

The Adviser generally does not permit Investors to impose restrictions on investing in certain securities or certain types of securities. The Adviser manages the assets of the Client Accounts in accordance with the terms of each Client Account's governing documents, which include, as applicable, any confidential explanatory or private placement memorandum, limited partnership agreement, memorandum and articles of association, investment management agreement, investment advisory agreement, sub-advisory agreement, sub-management agreement and other applicable governing documents (collectively, the "Governing Documents").

As of December 31, 2023, the Adviser managed approximately \$3,825,564,528 regulatory assets under management, all of which are managed on a discretionary basis.

## **Item 5: Fees and Compensation**

### Asset Based Compensation

The Adviser is paid a fixed management fee (the "Management Fee"), quarterly in advance. Each Fund's Governing Documents contain a detailed description of the fees applicable to an investment in such Fund. In certain cases, the Management Fee may be reduced, as further described in the applicable Governing Documents. The Management Fee is not negotiable.

In the event an additional contribution is made to a Fund during a quarter, the Management Fee will be charged as of the date of the additional contribution based on the value of the net assets as of such date and will be prorated for the number of days remaining in the quarter. In the event a withdrawal or redemption is made from a Fund during a quarter, the Fund will either be refunded a portion of the Management Fee or will receive a credit for that portion of the Management Fee for the subsequent quarter, as further described in the applicable Governing Documents, in each case based on the number of days remaining in the quarter.

The Management Fee is generally deducted from the Funds by their administrator upon the Adviser's proper instructions.

The Adviser, in its sole discretion, may, in effect, waive or reduce the Management Fee for Investors that are members, employees or affiliates of the General Partner (as defined below) or the Adviser, relatives of such persons and for certain large or strategic Investors.

Management fees with respect to the Sub-advised Accounts are calculated and paid in accordance with each Sub-advised Account's Governing Documents.

### Performance Based Compensation

An affiliate of the Adviser that serves as general partner of certain of the Funds (the "General Partner") is entitled to receive an annual performance-based allocation of a percentage of net profits (including unrealized gains) allocated to the Funds (the "Performance Allocation"). Each Fund's Governing Documents contain a detailed description of the Performance Allocation applicable to an investment in such Fund. The Performance Allocation is subject to a "loss carryforward" provision and is not negotiable.

The General Partner, in its sole discretion, may waive or modify the Performance Allocation for Investors that are members, employees or affiliates of the General Partner (as defined below) or the Adviser, relatives of such persons and for certain large or strategic Investors. The Funds do not intend to enter into side letters with Investors.

Performance-based compensation with respect to the Sub-advised Accounts is calculated and paid in accordance with each Sub-advised Account's Governing Documents.

### Other Fees and Expenses

In addition to paying the Management Fee and if applicable, the Performance Allocation, the Funds are also subject to other investment expenses including: Fund legal, compliance

(including, but not limited to, ongoing consulting services, expenses related to outsourced anti-money laundering officers, Form 13F, Schedule 13G and 13D filings, Form 13H, Section 16 filings, Form D and blue sky compliance) third party administrator, market data, tax preparation, audit and accounting fees and expenses (including third party accounting services); shareholder proxy voting services, if applicable; organizational expenses; investment expenses such as commissions, research fees and expenses (including research-related software and systems, research-related travel, meals and lodging expenses); interest on margin accounts and other indebtedness; borrowing charges on securities sold short and any other expenses associated with financing the Funds' portfolios; custodial fees; bank services fees; the Funds' pro-rata share of fund-related insurance costs (including D&O and E&O insurance and a fidelity bond for the Adviser, the General Partner, and if applicable, outside directorship liability); directors' and advisory board fees and expenses, if applicable; the Funds' pro rata share of expenses related to the implementation and licensing of trading, risk management and order management systems; and any other expenses reasonably related to the purchase, sale or transmittal of Fund assets.

The Adviser has developed a proprietary risk management system that it uses in connection with managing the Funds' portfolios. In the future, the Adviser may charge the Funds licensing fees in connection with such use, and such fees will not offset or reduce the Management Fee paid to the Adviser or Performance Allocation allocated to the General Partner. Prior to charging such fees to the Funds, the Adviser will determine that such fees are reasonable in light of the services being provided. While the Adviser believes that this proprietary system is unique and best-suited to assist it in managing risk, other risk management systems may cost the Funds less than the Funds will pay for its use.

In addition, to the extent the Funds' assets are invested in money market mutual funds, the Funds will bear their pro rata share of the investment management fees and other fees of those funds, which are in addition to any fees or other compensation paid to the Adviser.

Expenses paid by the Sub-advised Accounts are set forth in each Sub-advised Account's Governing Documents.

The allocation of expenses by the Adviser between it and any Client Account and among Client Accounts represents a conflict of interest for the Adviser. The Adviser has adopted an expense allocation policy that is designed to address this conflict. The Adviser allocates expenses to each Client Account in accordance with the arrangements each Client Account has with the Adviser (including applicable Client Account disclosures). When applicable, the Adviser seeks to allocate shared expenses for products and services benefitting the Adviser and a Client Account and not covered in the Client Account's arrangements in a fair and reasonable manner. The Adviser allocates common client expenses among multiple Client Accounts pro rata based on gross assets under management or other equitable allocation methodology that reflects actual usage of a resource, as of the beginning of each month. The Adviser may deviate from this standard allocation method if it determines that an expense disproportionately benefits a particular Client Account or group of Client Accounts.

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

As described above, the Adviser receives performance-based compensation, which constitutes a share of net profits (including unrealized gains) allocated to the Client Accounts. Performance-based compensation may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements. The performance-based compensation received by the Adviser is based on a share of net profits, including unrealized gains. As a result, the performance-based compensation could be based on unrealized gains that Client Accounts may never realize. Additionally, certain Client Accounts may have higher asset-based fees or more favorable performance-based compensation arrangements than other Client Accounts. Therefore, the Adviser and its investment personnel have a greater incentive to favor Client Accounts that pay the Adviser (and indirectly its investment personnel) higher asset-based and/or performance-based compensation.

The Adviser has a fiduciary obligation to use its best efforts to ensure that no Client Account is treated unfairly in relation to any other client in the allocation of securities or investment opportunities or in the order in which transactions are executed. Accordingly, the Adviser will seek to allocate orders and investment opportunities among its Client Accounts in a manner that it believes is fair and in the best interests of all the Client Accounts and in accordance with the applicable Governing Documents and the Adviser's policies and procedures. However, the Adviser may give advice and take action, with respect to any particular Client Account that may differ from the advice given to, or the timing or nature of action taken for, other Client Accounts. There can be no assurance that an investment opportunity that comes to the attention of the Adviser will be allocated to all or any of the Client Accounts. In addition, depending on the facts and circumstances, certain Client Accounts may be unable to participate in a particular investment opportunity or may participate in an opportunity only on a limited basis. The Adviser makes investment allocation determinations based on a variety of factors, including but not limited to: risk limitations or parameters; Client Account investment objectives, risk tolerance, and time horizon; Client Account imposed mandates or investment restrictions; capital available for investment; and other factors.

The Adviser is generally not obligated to trade the assets of the Client Accounts on a *pari passu* basis. The Adviser is a fiduciary to the Client Accounts regarding portfolio management decisions such as when and how much leverage to use, when to liquidate investments and similar decisions. The Adviser has instituted procedures (i) to ensure that, during any period where the Adviser manages multiple Client Accounts, all Client Accounts will be treated fairly, and (ii) to prevent conflicts from influencing the Adviser's allocation of investment opportunities.

In circumstances where the Adviser aggregates orders for the Client Accounts for the purchase or sale of securities, absent other compelling circumstances, orders would generally be allocated among Client Accounts *pro rata* based on invested capital or such other allocation method that the Adviser determines is fair under the circumstances. In addition, in such circumstances, transactions for the Client Accounts will be price-averaged.

It is the Adviser's practice, where possible, to aggregate transactions for the Client Accounts for the purchase or sale of the same security. Such aggregation may enable the Adviser to achieve more efficient execution or to provide for equitable treatment among Client Accounts. Client Accounts participating in aggregated trades will be allocated securities based on the average price achieved for such trades.



**Item 7: Types of Clients**

The Adviser's clients consist of the Funds and the Sub-advised Accounts.

The minimum investment required to invest in the Funds is described in the applicable Fund's Governing Documents. The Adviser, in its sole discretion, may waive or reduce any minimum initial or subsequent investment amount in the Adviser's sole discretion.

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

The Adviser generally focuses on investments, both long and short, in the equity and equity-linked securities of companies in the United States and abroad in energy and energy-related markets, including natural gas, crude and refined oil products, steel and other metals, chemicals, power, coal, alternative energy (e.g., bio fuels (such as ethanol), bio mass, wind, solar, hydro, geothermal, hydrogen, batteries, etc.), engineering, construction and shipbuilding companies, railroads, airlines and the securities of other companies that are derivative of the energy sector, including industrials, materials, agriculture/food products, the automobile industry and other industries that the Adviser considers to be derivative of energy. The Client Accounts may also invest in derivatives, commodities, including futures, debt securities, including convertible debt securities, and other investments. Further, certain of the Client Accounts may invest a portion of their assets in illiquid investments, including without limitation, real estate-related assets (including leases and royalties), private investments in public equity ("PIPEs"), container freight derivatives and private equity investments, subject to certain restrictions imposed on such illiquid investments set forth in the Client Accounts' Governing Documents.

Fundamental long/short equities strategies are a principal focus of the Adviser's investment activities. In its fundamental long/short equities strategies, the Adviser uses both fundamental top-down and bottom-up analysis in an attempt to develop a deep, fundamental view of individual companies and sectors. Within the fundamental long/short equities strategies, the Adviser attempts to identify relative values within a sector by selecting the under- and out-performers and takes long and short positions on behalf of the Client Accounts to express these views. To identify under- and out-performers, the Adviser relies on fundamental, quantitative and/or statistical analysis. The Adviser utilizes risk management and other systems to provide quantitative insights that allow proactive management of the portfolio across all aspects of the investment process.

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

Material risks (including significant or unusual risks) relating to the Adviser's investment strategies include:

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.

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

Short Selling. Short selling transactions expose the Client Accounts 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.

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

Hedging. The Adviser may utilize a variety of financial instruments such as derivatives, options, swaps, futures and forward contracts and other derivative instruments as part of its investment strategy and/or for risk management purposes. There can be no assurances that a particular hedge is appropriate, or that certain risks are 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 may not be diversified among a wide range of types of securities, countries or industry sectors. Accordingly, Client Account portfolios may be 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.

Consideration of Environmental, Social and Governance Factors. The Adviser does not have any specific ESG (as defined below) objectives for the Client Accounts, however, the Adviser may incorporate environmental, social and governance ("ESG") data (where such information is provided by portfolio companies) into its fundamental company analysis, believing that ESG issues have the potential to materially impact future business prospects or earnings power. The Adviser's portfolio management team may use ESG inputs to help identify the potential effect on certain individual stocks. ESG data may be considered as an input into the overall research process and so may affect the securities in which Client Accounts may invest, but are not expected to be the primary factor in the selection or exclusion of an issuer or security for investment. As a result of including any such ESG data in its analysis, the Adviser's portfolio management team may take action (e.g., make or not make or dispose or not dispose of an investment) when it would otherwise not have done so, which could adversely affect the performance of a Client Account.

Risks (including significant or unusual risks) associated with types of securities primarily recommended by the Adviser include:

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 geo-political 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.

Energy-Related Investments. The Client Accounts invest in a wide range of energy and energy-related markets including natural gas, crude and refined oil products, steel and other metals, chemicals, power, coal, alternative energy (e.g., bio fuels (such as ethanol), bio mass, wind, solar, hydro, geothermal, hydrogen, batteries, etc.), engineering, construction, shipbuilding companies, railroads, airlines, industrials, materials, agriculture/food products, automobiles and other industries that the Adviser considers to be derivative of the energy sector. The Client Accounts may invest through physical and financial derivative instruments. The energy and energy-related markets are susceptible to significant short-term price volatility as a result of a variety of factors which are inherently unpredictable, such as weather-related events, rate and tariff regulation, changes in law (including environmental laws), government ownership of certain major market participants, the unstable political situation in the Middle East and elsewhere, war, terrorist attacks, consumer advocacy and the trading activity of market participants. The energy markets are also subject to price volatility as a result of breakdowns in the facilities necessary to produce, refine, transport, store and deliver physical energy.

Derivatives. Swaps, 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 Adviser. Further, transactions in derivative instruments are not undertaken on recognized exchanges, and will expose Client Accounts to greater risks than regulated exchange transactions that provide greater liquidity and more accurate valuation of securities.

Non-U.S. Securities. Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations or that utilize resources or technologies in foreign jurisdictions 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. markets.

**Illiquid Investment Instruments.** Certain of the Client Accounts may invest a portion of their assets in illiquid investments, including without limitation, real estate assets related to the oil, gas and coal industries (including leases and royalties), PIPEs, container freight derivatives, and private equity investments, subject to certain restrictions imposed on such illiquid investments set forth in the Client Accounts' Governing Documents. From time to time, certain of such investments may be, or may become, illiquid and may not have readily ascertainable fair market values. Valuation of such illiquid investments, taking into account the factors unique to such investments, will be made consistent with each Client Account's Governing Documents. Such valuations will affect the Client Accounts performance reporting as well as the calculation of Management Fees and performance-based compensation. In addition, the Client Accounts may only be able to liquidate these investments, if at all, at disadvantageous prices, should the Adviser determine, or it become necessary to do so.

### **Cybersecurity Risk**

The Client Accounts, the Adviser and their service providers may be prone to operational and information security risks resulting from cyber-attacks. Cyber-attacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information or various other forms of cybersecurity breaches. Cybersecurity attacks affecting the Adviser, the Client Accounts and their service providers may adversely impact the Client Accounts.

In addition, despite certain measures established by the Adviser and third-party service providers to safeguard information in these systems, the Adviser, the Client Accounts and their third-party service providers are subject to risks associated with a breach in cybersecurity which may result in damage and disruption to hardware and software systems, loss or corruption of data and/or misappropriation of confidential information. Any such errors and/or disruptions may lead to financial losses, liability under applicable law, regulatory intervention or reputational damage.

### **Risk Management Failures**

Although the Adviser attempts to identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Moreover, many risk management techniques, including those employed by the Adviser, are based on historical market behavior, however, future market behavior may be entirely different and accordingly, the risk management techniques employed on behalf of the Client Accounts may be incomplete or altogether ineffective. Similarly, the Adviser may be ineffective in implementing or applying risk management techniques. Any inadequacy or failure in risk management efforts could result in material losses to Client Accounts.

### **Effects of Health Crises and Other Catastrophic Events.**

Health crises, such as pandemic and epidemic diseases, as well as other catastrophes that interrupt the expected course of events, such as natural disasters, war or civil disturbance, acts of terrorism, power outages and other unforeseeable and external events and the public response to or fear of such diseases or events, have and may in the future have an adverse effect on clients' investments and the Adviser's operations. For example, any preventative or protective actions

that governments may take in respect of such diseases or events may result in periods of business disruption, inability to obtain raw materials, supplies and component parts and reduced or disrupted operations for client portfolio companies. In addition, under such circumstances the operations, including functions such as trading and valuation, of the Adviser and other service providers could be reduced, delayed, suspended or otherwise disrupted. Further, the occurrence and pendency of such diseases or events could adversely affect the economies and financial markets either in specific countries or worldwide.

## **Item 9: Disciplinary Information**

This Item is not applicable.

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

The Adviser provides investment advice to the Client Accounts. The General Partner is affiliated with the Adviser by common ownership. Otherwise, the Adviser and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

The Adviser has the right to enter into co-investment arrangements with third parties or otherwise participate in pooled investment vehicles with others if the Adviser determines that such an arrangement represents the best way to access a particular investment opportunity or otherwise expand the investment expertise available.

In certain instances, the Adviser may waive redemption terms for employees.

Certain Funds are members of the sponsor of a Special Purpose Acquisition Company (“SPAC”). The SPAC completed a business combination with Freyr Battery SA (“Freyr”) on July 9, 2021 and the Client Accounts have also invested in securities of Freyr.



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

Pursuant to Rule 204A-1 of the Advisers Act, the Adviser has adopted a written Code of Ethics (the "Code") predicated on the principal that the Adviser owes a fiduciary duty to the Client Accounts and its Investors. The Code generally requires the Adviser and its "Access Persons" (as defined below) to place the interests of the Client Accounts and their respective Investors above their own interests and the interests of the Adviser. The Code also requires Access Persons to comply with applicable federal securities laws. Further, Access Persons are required to promptly bring violations of the Code or applicable securities laws to the attention of the Adviser's Chief Compliance Officer (the "Chief Compliance Officer"). All Access Persons are provided with a copy of the Code and are required to acknowledge receipt of the Code upon hire and on at least an annual basis thereafter.

The Code is designed to address and avoid potential conflicts of interest and is applicable to all officers, directors, members, partners or employees of the Adviser (the "Employees"), each Employee's spouse or spousal equivalent, minor children and other immediate family members living in his or her household ("immediate family members"), as well as any other individuals designated in writing by the Chief Compliance Officer as being subject to all or a portion of the compliance procedures or policies adopted by the Adviser (collectively, the "Access Persons"). A copy of the Code will be made available to Investors upon request.

In particular, Employees must disclose all personal accounts and those of immediate family members initially upon commencement of employment, and annually thereafter. Employees and immediate family members are generally permitted to conduct personal securities transactions in ETFs, mutual funds, index options and commodities; and must pre-clear all transactions for a personal account involving Reportable Securities (as defined in the Code). Securities transactions within the energy sector are not permitted, except for broad based indices that incorporate a de minimis energy component at the sole discretion of the Chief Compliance Officer. All investments must be held for a minimum of 60 days. In addition, the Adviser requires periodic reporting of Employees' and immediate family members' personal securities transactions and all holdings; and requires prompt internal reporting of Code violations. The Adviser endeavors to maintain current and accurate records of all personal securities accounts of its Employees and immediate family members in an effort to monitor all such activity.

Certain transactions in which the Adviser engages may require, for either business or legal reasons that no Employees or immediate family members trade in the subject securities for specified time periods. Such securities will appear on a list (the "Restricted List") that will be circulated to all Employees. No Employee may engage in any sort of trading activity with respect to a security or a derivative thereof on the Restricted List without obtaining prior written approval from the Chief Compliance Officer.

The Adviser and its Access Persons may give and/or receive gifts, services or other items to/from any person or entity that does business with or potentially could conduct business with or on behalf of the Adviser. The Adviser has adopted policies and procedures governing gifts and

business entertainment, which includes pre-clearance by the Chief Compliance Officer prior to giving/receiving gifts above certain de minimis thresholds.

The Adviser, in the course of its investment management and other activities (e.g., company meetings), 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 the Client Accounts. 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 its 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.

The Adviser and its personnel may have conflicts in allocating their time and services among the Client Accounts. The Adviser will devote as much time to each of the Client Accounts as it deems appropriate to perform its duties in accordance with its investment management agreements. In addition, the Adviser, its affiliates and Employees may conduct outside business activities. A copy of the Code of Ethics is available upon request to Encompass' CCO at the address or telephone number listed on the cover page of this document.

## Item 12: Brokerage Practices

### Selection of Brokers

In making its decisions regarding the allocation of brokerage transactions for the Client Accounts, the Adviser seeks to obtain best execution, taking into account factors including, but not limited to: (i) the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected (such as prompt and accurate confirmation and delivery), taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker-dealer; (iv) the quality, comprehensiveness, and frequency of available research services considered to be of value to the Adviser and its Client Accounts; (v) the value of brokerage services over and above trade execution provided to the Adviser and its Client Accounts; and (vi) the competitiveness of commission rates in comparison with other broker-dealers satisfying the Adviser's other selection criteria.

In selecting brokers or dealers to execute transactions, the Adviser is not required to 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 the Client Accounts may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate. The Adviser's Best Execution Committee meets periodically and at least annually to evaluate the broker-dealers used by the Adviser to execute trades for the Client Accounts using the foregoing factors.

The Adviser has entered into agreements on behalf of the Funds with certain brokers-dealers that act as prime brokers on behalf of the Funds. From time to time, the Adviser's personnel may speak at conferences and programs for potential investors interested in investing in hedge funds which are sponsored by those prime brokers. These conferences and programs may be a means by which the Adviser can be introduced to potential investors in the Funds. Currently, neither the Adviser nor the Funds compensate prime brokers for organizing such "capital introduction" events or for any investments ultimately made by prospective investors attending such events. While such events and other services provided by a prime broker may influence the Adviser in deciding whether to use such prime broker in connection with brokerage, financing and other activities of the Funds, the Adviser will not commit to allocate a particular amount of brokerage to a broker-dealer in any such situation nor will it allocate any trade to the broker-dealer unless it is otherwise consistent with seeking best execution.

### Soft Dollars

Section 28(e) of the Securities Exchange Act of 1934, as amended, is a "safe harbor" that permits an investment manager to use commissions or "soft dollars" to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process. The Adviser will limit the use of "soft dollars" to obtain research and brokerage services, to services which constitute research and brokerage within the meaning of Section 28(e). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at

certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from brokers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

Further, consistent with Section 28(e), research products or services obtained with "soft dollars" generated by the Client Accounts may be used by the Adviser to service one or more Client Accounts, including Client Accounts that may not have paid for the soft dollar benefits. The Adviser does not seek to allocate soft dollar benefits to Client Accounts in proportion to the soft dollar credits the Client Accounts generate. Where a product or service obtained with soft dollars provides both research and non-research assistance to the Adviser (i.e., a "mixed use" item), it will make a good faith allocation of the cost which may be paid for with soft dollars based on the actual use of the product or service by the Adviser and its personnel. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of the Adviser's allocation of the costs of such benefits and services between those that primarily benefit the Adviser and those that primarily benefit the Client Accounts.

Relationships with brokers providing research products or services obtained with "soft dollars" to the Adviser may influence its judgment in allocating brokerage business, and may create a conflict of interest in using the services of these brokers to execute a Client Account's securities transactions. While the Adviser believes these relationships are beneficial to its Client Accounts, selecting brokers on the basis of considerations other than applicable commissions may at times result in higher transaction costs than would otherwise be the case.

When the Adviser uses Client Account commissions to obtain Section 28(e) eligible research and brokerage products and services, the Adviser's Best Execution Committee meets periodically and at least semi-annually to review and evaluate the Adviser's soft dollar practices and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or the Adviser's overall responsibilities to the Client Accounts over which the Adviser exercises investment discretion.

Order Aggregation

The Adviser often purchases or sells the same security for multiple Client Accounts contemporaneously/at or near the same time and using the same executing broker. It is the Adviser's practice, where appropriate, to aggregate Client Account orders for the purchase or sale of the same security submitted contemporaneously/at or near the same time for execution using the same executing broker. Such aggregation may enable the Adviser to obtain for the participating Client Accounts a more favorable price or a better commission rate based upon the volume of a particular transaction. However, there may be circumstances in which a Client Account is precluded from participating in an aggregated trade with other Client Accounts and therefore receiving any benefits therefrom (*e.g.*, the Client Account has negotiated the commission rate directly with the broker, trading or investment restrictions are placed on a Client Account). When an aggregated order is completely filled, the Adviser generally allocates the securities purchased or proceeds of sale among Client Accounts pro rata based on invested capital or such other allocation method that the Adviser determines is fair under the circumstances. In addition, in such circumstances, transactions for the Client Accounts will be price-averaged. 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. To the extent an order is price-averaged, a Client Account participating in the trade may pay a higher price than if the Adviser did not aggregate the order. 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 by the Adviser to be fair to the participating Client Accounts. Depending on the investment strategy pursued and the type of security, this may result in a pro rata allocation to all participating Client Accounts.

## **Item 13: Review of Accounts**

The Client Account portfolios are reviewed with regard to positions held, risk, exposure and proper settlement on a daily basis by the Portfolio Manager, investment professionals, in-house operations and other the Adviser personnel, where appropriate. Particular attention is given to changes in company fundamentals, industry outlook, market outlook, and price levels.

Investors in the Funds receive monthly capital account statements and quarterly transparency reports directly from the Funds' administrator, a monthly portfolio summary and for certain of the Funds, quarterly performance letters from the Adviser. The Funds receive annual audited financial statements prepared by the auditor for the Funds. Investors receive an annual report containing a copy of the audited financial statements for the applicable Fund.

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

The Adviser does not directly or indirectly compensate any person for investor referrals. The Adviser may receive certain research or other products or services from broker-dealers through "soft dollar" arrangements. These "soft dollar" arrangements create an incentive for the Adviser to select broker-dealers based on the Adviser's interest in receiving the research or other products or services and may result in the selection of a broker-dealer on the basis of considerations that are not limited to the lowest commission rates and may result in higher transaction costs than would otherwise be obtainable by the Adviser on behalf of Client Accounts. Please see Item 12 for further information on the Adviser's "soft dollar" practices.

**Item 15: Custody**

The Adviser and an affiliate are deemed to have custody of client assets and intend to comply with Rule 206(4)-2 under the Advisers Act by meeting the conditions of the pooled vehicle annual audit provision.



## Item 16: Investment Discretion

The Adviser maintains investment discretion and is generally authorized to make the following determinations, subject to each Fund's investment objectives and restrictions, without obtaining prior consent from the relevant Fund or its underlying Investors: (i) which securities or other instruments to buy or sell; (ii) the total amount of securities or other instruments to buy or sell; (iii) the executing broker or dealer for any transaction; and (iv) the commission rates or commission equivalents charged for transactions.

The Client Accounts are invested in accordance with a single strategy (or sub-strategy) and trades are generally executed on an aggregate basis among the Client Accounts. Exceptions to this allocation methodology include, but are not limited to, differing legal or tax prohibitions among the Client Accounts, addressing issues, which do not equally impact each of the Client Accounts and rebalancing due to disparities in capital activity (redemptions/subscriptions) in one or more of the Client Accounts. Accordingly, the Client Accounts, as a result, may experience some performance dispersion and there can be no assurance that a particular order or investment opportunity will be allocated in a particular manner.

When the Adviser manages multiple accounts, it may effect cross transactions between Client Accounts, except where prohibited under the agreement with the Client Account or prohibited under applicable law. Cross transactions will be effected in connection with portfolio rebalancing or other situations, such as cash flow events. Cross transactions enable the Adviser to effect a trade between two Client Accounts 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. Any cross transactions will be effected at the close of the market on the day of the transaction and will be performed consistently with the Adviser's policies and procedures. Transaction costs, if any, will be apportioned pro-rata between the participating Client Accounts. The Adviser has a potentially conflicting division of loyalties and responsibilities regarding both parties to cross transactions. A determination will be made as to whether a cross transaction is appropriate for a given Client Account or in a given transaction and in accordance with any client or regulatory restrictions.

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 based on a Client Account's investment guidelines, a Client Account's status as a "restricted person" and/or "covered investor" under applicable regulations and/or other considerations the Adviser deems relevant under the circumstances.

Trade and other clerical errors resulting in gains or losses will be borne by the Client Accounts and will not be retained by the Adviser, unless prohibited by law or regulation. The Adviser is under no obligation to reimburse the Client Accounts for trade and other operational errors made by the Adviser, its agents and affiliates, as such errors are considered by the Adviser to be a cost of doing business. Any correction of a trade or other operational error will only be made to the extent required to attempt to minimize any loss related to such error in the Client Accounts.

Notwithstanding the foregoing, the Adviser will be obligated to reimburse the Client Accounts for any trade or other operational error resulting from the Adviser's fraud, bad faith, willful misconduct or gross negligence, or as set forth under the exculpation of liability and indemnification provisions of the applicable Governing Documents maintained with the Client Accounts. The Adviser, subject to its fiduciary obligations, will determine whether or not any trade or other clerical error is required to be reimbursed in accordance with such liability and exculpation provisions. The Adviser, in its sole discretion, reserves the right to reimburse the Client Accounts for any trade or other operational error. The Adviser's reimbursement of the Capital Accounts for any particular error will not constitute a waiver of any policy to cause the Client Accounts to bear the losses from other trade or other operational errors.

## **Item 17: Voting Client Securities**

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Advisers Act, the Adviser has adopted and implemented written policies and procedures governing the voting of client securities.

It is the policy of the Adviser to exercise its proxy voting rights in the best interest of its Client Accounts, taking into consideration all relevant factors, including without limitation, acting in a manner that the Adviser believes will (i) maximize the economic benefits to the relevant Client Account, and (ii) promote sound corporate governance by the issuer.

The Adviser has voting procedures in place designed to enable the Adviser to resolve material conflicts of interest that may arise between the Adviser, the Client Accounts and their underlying Investors, before exercising voting rights.

All proxies that the Adviser receives will be treated in accordance with these policies and procedures. A copy of the Adviser's written proxy voting policies and procedures, as well as a record of how the Adviser has voted in the past, will be maintained and available for review upon written request.

In general, it is the policy of the Adviser not to participate in class action lawsuits. The Adviser reserves the right to participate in such lawsuits, if in the opinion of the Adviser, such participation would be in the best interests of the Client Accounts.

## **Item 18: Financial Information**

This Item is not applicable.