

Compass Group Management LLC

Firm Brochure (Part 2A of Form ADV)

March 31, 2023

This brochure provides information about the qualifications and business practices of Compass Group Management LLC (“CGM”, “we” or “us”). If you have any questions about the contents of this brochure, please contact us by telephone at (203) 221-1703 or by email to cryan@compassdiversified.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about us is available on the SEC’s website at www.adviserinfo.sec.gov (on that page, click on the link “Investment Adviser Search”, then choose “Firm”, then search for us using the prompts provided) and on our website at www.compassdiversified.com.

CGM is an investment adviser registered with the SEC (a “registered investment adviser”). The terms “registered investment adviser”, “registered” or words of similar meaning do not imply a certain level of skill or training.

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Item 2: **Material Changes**

Updates will be made to this brochure as required by applicable laws and regulations, including annually and at other times if any of the information in this brochure becomes materially inaccurate.

Material Changes since the Last Update

There have been no material changes since the last update.

Full Brochure Available

Whenever you would like to receive a complete copy of our latest brochure, please contact us by telephone at (203) 221-1703 or by email to cryan@compassdiversified.com.

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Item 4: **Advisory Business**

A. Compass Group Management LLC, a Delaware limited liability company was founded in 2005 and at that time succeeded to the business of CGM International LLC, a Delaware limited liability company that had been founded in 1998. CGM is privately owned by its members who founded the CGM business, Elias J. Sabo, as Trustee for the Sabo Family Trust, Alan B. Offenber, I. Joseph Massoud and David P. Swanson.

B. CGM's only business is its investment advisory and management services business. CGM has two clients and does not solicit or accept retail or other clients that are not in some way related to either of these clients. A description of each client, and the services provided to that client, appears immediately below.

Compass Diversified Holdings. CGM manages the day-to-day business and operations of Compass Diversified Holdings (NYSE: CODI) (hereinafter, "CODI"), a publicly traded holding company, and its subsidiaries, pursuant to a management services agreement. In this role, CGM seeks to generate superior risk-adjusted returns for CODI's shareholders, as well as steady and growing cash distributions, through CODI's acquisition and control of a diverse set of North American middle-market businesses. CGM identifies, evaluates, negotiates and, where appropriate, assists in consummating acquisition activities on behalf of CODI and its subsidiaries. CGM's key activities include, among other things, identifying to the board of directors of CODI potential acquisition target companies and, following the acquisition of a new business by CODI, working with the management team of the acquired business to aggressively pursue opportunities to grow medium- and long-term cash flow. In general, in providing investment advice to CODI, CGM favors companies that are significant participants in growing segments of the service, distribution or manufacturing sectors.

Anholt Investments, Ltd. Historically, CGM has managed a wide array of investments on behalf of Anholt Investments, Ltd. ("Anholt"), including several partnerships with interests in venture capital funds, several partnerships with interests in U.S. domestic buyout funds, a partnership owning a U.S. domestic company, and a partnership owning securities in a publicly traded registered investment advisor. Currently, CGM provides services for Anholt from time to time and on an ad hoc basis, and at the request of Anholt.

C. CGM tailors its advisory services to the individual needs of its clients. Working with each client, we establish the individual parameters that will apply to the provision of our services to that client. Clients may impose restrictions on investing in certain securities or types of securities.

D. CGM does not participate in wrap fee programs.

E. As of December 31, 2022, CGM managed approximately \$3,849,631,000 in assets under management for CODI. It did not have any assets under management for Anholt. All of the assets were managed on a non-discretionary basis.

Item 5: Fees and Compensation

A. Because we are an SEC-registered investment adviser and this brochure is being delivered only to persons that are “qualified purchasers” as defined in section 2(a)(51)(A) of the Investment Company Act of 1940 (which persons include, among others, any natural person who owns not less than \$5,000,000 in investments and any person who in the aggregate owns and invests, on a discretionary basis, not less than \$25,000,000 in investments, as further specified in such Act and the rules promulgated thereunder), we do not need to include information describing how we are compensated for our advisory services, what our fees are or whether our fees are negotiable.

B. We collect our compensation by billing clients for services rendered. Such billing occurs quarterly in arrears.

C. In addition to compensating us, in connection with the provision of our advisory services our clients may become liable for third-party fees or expenses, such as custodian fees. In addition, clients will incur brokerage and other costs in connection with securities transactions. See “Item 12: Brokerage Practices” for a discussion of how brokers are selected for particular securities trades.

D. Our clients are not required to pay our compensation in advance.

E. Neither we nor any of our supervised persons receive commissions or other compensation for the sale or purchase of stocks, bonds or other securities or investment products. Neither we nor any of our supervised persons are affiliated with entities that sell or purchase stocks, bonds or other securities or investment products. Neither we nor any of our supervised persons receive finder’s fees.

Item 6: Performance-Based Fees and Side-By-Side Management

CGM and its affiliates accept performance-based compensation from every client. As a result, CGM and its affiliates do not face certain conflicts of interest that may arise when an investment adviser accepts performance-based fees from some clients but not from other clients. Performance based compensation arrangements may create an incentive for CGM to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. CGM has procedures designed and implemented to ensure that all clients are treated fairly and equally. CGM only charges performance based compensation to “qualified clients” pursuant to Rule 205-3 of the Investment Advisers Act of 1940.

Item 7: Types of Clients

We have two clients, CODI and Anholt, each of which is a business entity with significant assets and sophisticated individual directors, officers or other principals. We do not solicit or accept retail or other clients that are not in some way related to either of these clients. For descriptions of CGM’s clients, see the discussion under “Item 4: Advisory Business”.

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

A. We use the following methods of analysis and investment strategies in formulating investment advice and managing assets:

Our management team has worked together since 1998. Collectively, the team has over 100 years of experience in acquiring and managing small and middle-market businesses. We believe our team stands out in the marketplace in terms of its success and experience in investing in, acquiring and managing small and middle-market businesses, particularly in growing segments of the service, distribution, and manufacturing sectors and, specifically, niche industrial and branded products businesses within these sectors.

In formulating investment advice and managing assets, our team focuses on, among other things:

In connection with businesses previously acquired:

- recruiting and retaining talented managers to operate acquired businesses by using structured incentive compensation programs, including minority equity ownership, tailored to each business;
- regularly monitoring financial and operational performance, instilling consistent financial discipline and supporting management in the development and implementation of information systems to effectively achieve these goals;
- assisting management in their analysis and pursuit of prudent organic growth strategies;
- identifying and working with management to execute on attractive external growth and acquisition opportunities;
- forming strong subsidiary level boards of directors to supplement management in their development and implementation of strategic goals and objectives;
- making selective capital investments to expand geographic reach, increase capacity, or reduce the manufacturing costs of our businesses;
- investing in product research and development for new products, processes or services for customers;
- improving and expanding existing sales and marketing programs;
- pursuing reductions in operating costs through improved operational efficiency or outsourcing of certain processes and products; and
- consolidating or improving management of certain overhead functions.

In connection with businesses to be acquired:

- engaging in a substantial level of internal and third-party due diligence;
- critically evaluating the management team;

- analyzing comparable businesses to assess financial and operational performances relative to industry competitors;
- actively researching and evaluating information on the relevant industry; and
- negotiating the appropriate terms and conditions of any acquisition.

With respect to our service to CODI, our team will seek to acquire controlling interests in a business. With respect to our services to Anholt, while our team will primarily seek to acquire controlling interests in a business, it may also acquire non-control or minority equity positions in businesses where it believes it is consistent with long-term strategies. In addition to acquiring businesses and other investments, our team is also expected to sell businesses and monetize investments from time to time when attractive opportunities arise.

Investing in securities involves risk of loss that our clients should be prepared to bear.

B. In respect of each of the significant methods of analysis and investment strategies we use, the following material risks are involved:

- Our future success is dependent on the employees of CGM, the loss of any of whom could materially adversely affect our business.
- We may experience difficulty in evaluating potential target businesses, as the information concerning these businesses will typically not be publicly available. Therefore, our estimates and assumptions used to evaluate the operations, management and market risks with respect to potential target businesses may be subject to various risks.
- The time and costs associated with identifying and evaluating potential target businesses and their industries may cause a substantial drain on our resources and may divert our management team's attention.
- We may have difficulty effectively managing acquired businesses, and the management or improvement of businesses we have acquired may be hindered by a number of factors.
- In pursuing acquisitions of small to middle-market businesses, we expect to face strong competition from a wide range of other potential purchasers.

Our primary strategy does not involve the frequent trading of securities.

C. We do not recommend primarily any particular type of security.

Item 9: **Disciplinary Information**

Neither we nor any management person of ours have been involved in any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

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

A. Neither we nor any management person of ours are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

B. Neither we nor any management person of ours are registered or have an application pending to register as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of any of the foregoing entities.

C. Except as noted in the following sentence, neither we nor any management person of ours have any relationship or arrangement that is material to our advisory business or to our clients with any broker-dealer, municipal securities dealer, government securities dealer or broker, investment company or other pooled investment vehicle (including any mutual fund, closed-end investment company, unit investment trust, private investment company, “hedge fund” or offshore fund), other investment adviser or financial planner, futures commission merchant, commodity pool operator, commodity trading advisor, banking or thrift institution, accountant or accounting firm, lawyer or law firm, insurance company or agency, pension consultant, real estate broker or dealer or sponsor or syndicator of limited partnerships. Our members, along with Anholt, have an indirect profit participation in ACPE Advisors SA, a Uruguayan investment advisor to AFG Latin America LP, an English limited partnership in which Anholt has invested.

D. We do not recommend or select other investment advisers for our clients and receive compensation directly or indirectly from those advisers, so as to create a material conflict of interest, and we do not have other business relationships with any such advisers that create a material conflict of interest.

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

A. We have adopted a code of ethics pursuant to SEC Rule 204A-1. The code of ethics, among other things: (1) imposes a standard of business conduct for employees; (2) requires all employees to comply with applicable federal securities laws; (3) requires all employees with access to certain information to periodically report, and our Chief Compliance Officer to review, their personal securities transactions and holdings; (4) requires all employees to report any violations of the code of ethics promptly to our Chief Compliance Officer; (5) requires us to provide each employee with a copy of our code of ethics and any amendments; and (6) requires all employees to provide us with a written acknowledgement of their receipt of the code of ethics and any amendments. We have provided a copy of our code of ethics to each of our clients, and will provide further copies of our code of ethics to any client or prospective client upon request.

B. From time to time, one or more of CGM and persons directly or indirectly controlling or controlled by CGM or under common control with CGM (each a “related person”) may recommend to clients, or buy or sell for client accounts, securities (including without limitation interests in operating companies, partnerships and investment companies) in which CGM or a related person has a material financial interest. In any such case, it is our policy that the transaction be pre-approved by our Chief Compliance Officer and that the transaction comply with our code of ethics and other corporate governance requirements.

C. From time to time, one or more of CGM and its related persons may invest in the same securities (or related securities, e.g., warrants, options or futures) that CGM or a related person recommends to clients. In any such case, it is our policy that the transaction be pre-approved by our Chief Compliance Officer and comply with our code of ethics and other corporate governance requirements.

D. From time to time, one or more of CGM and its related persons may recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that CGM or the related person buys or sells the same securities for CGM's own, or the related person's own, account. In any such case, it is our policy that the transaction be pre-approved by our Chief Compliance Officer and comply with our code of ethics and other corporate governance requirements.

Item 12: Brokerage Practices

A. In the case of purchases or sales of securities for CODI's account, employees of ours, in their capacity as executive officers of CODI, select the brokerage firms to be used and determine the reasonableness of their compensation. In the case of purchases or sales of securities for Anholt's account, we may recommend brokerage firms to be used, but Anholt selects the firms and determines their compensation.

In all cases in which we select or recommend brokers, it is our policy to base our recommendations and selections on the ability of the broker to implement transactions in a timely and cost-efficient manner. Neither we nor any of our related persons receive any benefits from any brokers that execute trades for our clients, including without limitation research or other soft dollar benefits or referrals of potential clients.

B. It is our policy to aggregate the purchase or sale of securities for different client accounts when we have the opportunity to do so and when it is otherwise practical to do so and in the interest of each affected client.

Item 13: Review of Accounts

In regard to the CODI account, we are responsible for managing the day-to-day business and operations of CODI and its portfolio company subsidiaries, and one or more of our senior managers report in detail on the operations and performance of CODI and its subsidiaries during quarterly and special meetings of the CODI board of directors and its various committees. In addition, all CODI subsidiaries provide quarterly and annual financial data to CODI's chief financial officer, who is an employee of ours, but is seconded to CODI pursuant to his employment agreement. This financial information is consolidated and reported as part of CODI's quarterly and annual reports to the SEC. Also, we are in regular contact with CODI's portfolio company subsidiaries, and we receive operational and financial updates and other information from them on a regular basis. From time to time, when appropriate, one or more of our employees may provide interim updates to one or more of the CODI board and its committees in regard to material developments at portfolio company subsidiaries. Further, it is our policy to have our employees respond promptly whenever any of the CODI board and its committees pose questions to us or request information or updates.

In regard to Anholt, when we are actively managing Anholt's investments, one or more of our senior managers will review the performance of Anholt's investments on a regular basis and provided detailed reports to Anholt on a quarterly basis. In addition, from time to time, when appropriate, one or more of our employees may provide interim updates to Anholt. Further, it is our policy to have our employees respond promptly whenever Anholt poses questions to us or requests information or updates.

Item 14: Client Referrals and Other Compensation

A. We do not receive any economic benefit (including without limitation sales awards or other prizes) from persons who are not clients for providing investment advice or other advisory services to clients.

B. Neither we nor any related person directly or indirectly compensate any person who is not one of our supervised persons for client referrals.

Item 15: Custody

From time to time, a client may receive account statements from broker-dealers, banks or other qualified custodians that maintain custody, on our behalf, of some or all of the funds and securities that we hold for the account of that client. Clients should carefully review any such statements and should compare such statements with statements they may receive from us.

Item 16: Investment Discretion

In regard to each of our clients, we advise the client on purchases and sales of securities, but exercise no discretion over their investment decisions, which they make for themselves. From time to time, we exercise discretion, granted by the client, over the timing (typically within generally specified parameters) and certain aspects of the execution of particular securities trades. The granting of discretion to us on these occasions is usually memorialized in written communications between us and the client.

See "Item 12: Brokerage Practices" for a discussion of how brokers are selected for particular securities trades.

Item 17: Voting Client Securities

A. It is our policy not to vote client securities. As a result, we do not maintain written voting policies and procedures adopted pursuant to SEC Rule 206(4)-6.

B. Because we do not have authority to vote client securities, clients will receive their proxies or other solicitations directly from their custodian or a transfer agent, or forwarded to them by us.

Clients are free to reach out to their usual CGM employee contacts at any time with questions about a particular solicitation.

Item 18: **Financial Information**

A. Because we do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, we are not required to include herein an audited GAAP balance sheet, with notes, and otherwise meeting the requirements of SEC Form ADV, for our most recent fiscal year.

B. We are not subject to any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

C. We have not been the subject of a bankruptcy petition at any time during the past ten years.

Item 19: **Requirements for State-Registered Advisers**

Not applicable.