



Form ADV, Part 2A  
Lyrical Multi-Manager Funds Brochure

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This brochure provides information about the qualifications and business practices of Lyrical Partners, L.P. (Lyrical, we or us). If you have any questions about the contents of this brochure, please contact us at (212) 415-6600 or [ir@lyricalpartners.com](mailto:ir@lyricalpartners.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

A copy of this brochure and additional information about Lyrical are also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration as an investment adviser does not imply a certain level of skill or training.

## Item 2 - Material Changes

Not applicable.

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#### **Item 4 – Advisory Business**

Lyrical is a Delaware limited partnership founded in 2004 by Jeffrey Keswin who is the principal owner of Lyrical. Lyrical is the investment adviser/manager for Lyrical Multi-Manager Fund, L.P. (the Domestic Fund) and Lyrical Multi-Manager Offshore Fund, Ltd. (the Offshore Fund and, collectively with the Domestic Fund, the Funds).

The Funds invest predominantly in hedge funds and separate securities accounts (collectively, Investment Vehicles) managed by independent hedge fund managers, and make direct investments in both privately held companies and publicly-traded equity securities and cash equivalents.

As of February 1, 2012 Lyrical had \$401.8 million under management, all of which is managed on a discretionary basis. That includes \$307.7 million of the Funds' assets. The remaining assets under management relate to investment funds managed by Lyrical which are not multi-manager funds and which are described in a separate Brochure (the Opportunity Funds Brochure), available upon request. See Item 8, Methods of Analysis, Investment Strategies and Risk of Loss, below for a discussion of the risks related to management of other funds and separate accounts. Our advice is limited to types of investments described herein and in the Opportunity Funds Brochure.

Lyrical directs and manages the investment and reinvestment of the Funds' assets, and provides reports to investors. Lyrical may offer separate investment vehicles from the Funds to clients wishing to impose restrictions on investing in certain securities or types of securities, as the Funds cannot reflect such restrictions.

#### **Item 5 – Fees and Compensation**

Our standard fee structure consists of a management fee and a performance-based allocation.

##### Management Fee

The Domestic Fund charges a standard quarterly management fee equal to  $\frac{1}{4}$  of 1% of the value of each limited partner's capital account balance. The Offshore Fund charges a standard quarterly management fee equal to  $\frac{1}{4}$  of 1.5% of that fund's net asset value. These fees are charged in advance. Redemptions are allowed as of each quarter end, so no proration is applicable. We also charge a prorated management fee on contributions made following the beginning of a quarter.

##### Performance-Based Fee

We charge an annual performance-based fee equal to 10% of the Funds' net profits attributable to a limited partner or shareholder, but only to the extent that such net profits exceed any losses carried forward from prior years, based on a "high water mark" formula. Net profits include unrealized appreciation or depreciation. Performance-based fees are also computed and charged upon redemptions occurring prior to a yearend.

The management fee and the performance fee may be waived, reduced or rebated for any investor, including, without limitation, for investments we or our affiliates make and/or for investments made by our employees and their family members.

The Funds remit to us the management fee each quarter and any performance fee annually without a bill being sent to the investors in the Funds.

The Funds also bear all costs and expenses directly related to the offering of interests in the Funds (including legal and accounting fees, printing costs, travel, "blue sky" filing fees and expenses and out of pocket costs) and the Funds' respective investment programs including the compensation of managers of Investment Vehicles, other costs associated with specific investment transactions affected or positions held for the Funds' accounts including all fees and costs relating to the purchase of and the sale of interests in Investment Vehicles and securities, expenses related to proxies, underwriting and private placements, brokerage commissions, interest on debit balances or borrowings, custody fees and any withholding or transfer taxes imposed on the Funds. The Funds also bear all out-of-pocket costs of the administration of the Funds, including accounting, audit and legal expenses, research and research-related expenses, and costs of any litigation or investigation involving the Funds' activities. However, Lyrical may, in its sole discretion, choose to absorb any such expenses incurred on behalf of the Funds.

Lyrical's investment management agreements with the Funds generally provide that the Funds will indemnify, and not hold liable, Lyrical and its affiliates for certain expenses, losses and claims that may arise in connection with the performance of its duties (including management of the Funds' investments and execution of investment trades), provided that such persons' conduct has not breached the applicable standards of conduct (i.e., the relevant actions were, in general, taken in good faith and did not involve willful misconduct, gross negligence, a violation of federal or state securities laws or criminal wrongdoing). In the opinion of the SEC, an agreement to waive or indemnify against certain liabilities under the federal securities laws may be against public policy and therefore may be unenforceable.

Please see Item 12 - Brokerage Practices, below.

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

Lyrical charges performance-based fees to its Funds and does not manage any investment vehicle not involving a performance-based fee. Performance-based fees may create an incentive for Lyrical to make investments that are riskier or more speculative than would be the case in the absence of such compensation.

## **Item 7 – Types of Clients**

We provide advisory services to the Funds. Please see Item 4 – Advisory Business, above.

Generally, the minimum initial investment amount for investors in the Funds is \$1 million. That minimum may be waived.

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

Our Funds aim to achieve notably attractive absolute and risk-adjusted returns by investing, through Investment Vehicles of managers we select, in fundamentally mispriced investments, both long and short. We invest primarily with fundamental research-driven, value equity oriented long/short managers that a) are evidently driven to demonstrate acumen through performance rather than asset growth, b) use little leverage, and c) have sizeable personal investments in their funds. Yet, certain of our managers invest in credit and other securities, and our Investment Vehicles typically provide for broad latitude with respect to investable instruments, investment concentration and leverage. As experienced fundamental equity and credit investors, we seek to invest with other managers whose sensibilities comport with ours. We want our funds of funds to be good investments, not merely good “products”. In order to achieve notably attractive returns we need to limit our allocations to Investment Vehicles that have suitably ambitious return objectives for themselves and where we have conviction regarding their achievement of those objectives.

We believe in the merits of our approach over the long-term relative to the more common fund of hedge funds approach of investing across a broader range of hedge fund strategies and with a greater number of Investment Vehicles. But, our narrower strategic focus and willingness to make fairly concentrated investments with managers (some of whom, in turn, make concentrated investments) can increase the risk of loss as value investing falls out of favor, equity and credit markets sharply decline, and/or particular Investment Vehicles suffer idiosyncratic losses.

In addition to investing in Investment Vehicles, we may determine to invest a portion of the Fund's capital directly in equity, debt and/or other securities, including selling such securities short. Such investments may be made at times determined by us in our sole discretion and will at all times be limited to 20% or less of each Fund's investments (measured at the time of investment), although we do not anticipate such investments exceeding 5% of a Fund's investments (similarly measured). In addition, we are permitted to leverage the Funds' investments though we have no intention to do so.

In addition to managing the Funds, Lyrical and its affiliates manage other funds and separately managed accounts and may engage in investment and trading activities for their own accounts. None of Lyrical or its investment professionals is obligated to devote any specific amount of time to the affairs of the Funds. While we allocate opportunities fairly and equitably, in managing other funds and managed accounts or trading for their own accounts, Lyrical and its investment professionals may take positions which are opposite, or ahead of, the Funds or Investment Vehicles in which the capital of the Funds is invested.

Investment in the Funds should be considered speculative and involves substantial risk due to, among other things, the nature of the Funds' investments, the significant fees and costs associated with such investments, and the illiquidity of interests. A person who invests in a Fund should not expect near-term liquidity with respect to such investment, should be able to bear the financial risk of such investment for an indefinite period of time, and should be able to sustain the possible loss of the entire amount invested. Relevant risks are discussed in further detail in the Funds' offering documents, and we discuss risks in a one-on-one setting with prospective investors upon request.

#### **Item 9 – Disciplinary Information**

Lyrical and Lyrical's employees have not been involved in any legal or disciplinary events in the past 10 years (and, to the best of our knowledge and belief, in years preceding that 10-year period) that would be material to a client's evaluation of our advisory business or the integrity of our management.

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

Lyrical has a material business relationship with Lyrical Asset Management, L.P. (LAM). LAM manages portfolios of publicly traded equity securities. Lyrical and LAM have overlapping, but not identical, ownership. Lyrical provides LAM offices, computers, telecommunications, and other facilities necessary to operate LAM's business, and Lyrical staff provides LAM general business, marketing, administrative and compliance services. Lyrical allocates certain costs to LAM, which are borne by LAM.

We do not believe that our relationship with LAM causes a conflict of interest with our clients because the respective investment processes of Lyrical and LAM are separate.

Lyrical-Antheus Management, LP (Antheus), which provides investment management services with respect to real estate related investments, is deemed commonly controlled with us, as Mr. Keswin owns 50% of that firm. We do not believe that such common ownership causes a conflict of interest with our clients because Antheus operates out of separate offices, with separate operating staff and operations from us.

The Funds may invest in Investment Vehicles in which an affiliate of Lyrical has provided seed capital. In any such instance Lyrical will obtain reduced fees with respect to such investment, benefiting the Fund, and neither Lyrical nor its affiliates will have an economic interest in the fees paid by the Funds. Yet, by investing the Funds' assets in Investment Vehicles that are managed by entities in which an affiliate has or expects to have an economic interest, Lyrical has or may have incentive to select Investment Vehicles with lower performance as compared to other funds using a similar investment strategy or investing in the same asset class in order to increase the revenues and profitability of such affiliates.

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

To avoid any potential conflicts of interest involving personal trades, Lyrical has adopted a Code of Ethics (Code). The core principals set forth in the Code are:

- We must at all times place the interests of our Funds first.
- All personal securities transactions must be conducted in a manner consistent with the Code and avoid any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility.
- Employees must not take any inappropriate advantage of their positions at the firm.
- Information concerning the identity of securities and financial circumstances of the Funds and their investors must be kept confidential.
- Independence in the investment decision-making process must be maintained at all times.

Lyrical and its principals, partners, officers, employees, affiliates and other related parties may transact in their personal accounts in mutual funds, ETFs, stocks, bonds and securities that are not traded publicly including privately held companies, hedge funds, venture capital funds and commodity pools. Lyrical requires certain personal securities transactions, specifically those related to equity securities which may also be traded by or are held at the time by the Funds and transactions in private placements and initial public offerings, to be subject to pre-clearance by our Chief Compliance Officer. This preclearance process includes an assessment of whether such transactions pose any actual or potential conflicts of interest with respect to the Funds' interests in the relevant securities.

A copy of Lyrical's Code shall be provided to any client or prospective client upon request.

It is possible that Lyrical or any of the funds it manages would buy securities from or sell securities to one of its clients. Any such transactions would be subject to prior approval by Lyrical Chief Compliance Officer consistent with Lyrical's compliance manual.

Because Lyrical's and LAM's respective investment processes are kept separate, it is also possible that LAM or any of the accounts it manages could buy or sell a security which Lyrical or any of its Funds is transacting in the opposite direction, although any such transactions would be executed as market transactions.

Employees of, and investment funds managed by, Lyrical and/or LAM invest from time to time in funds and managed accounts managed by Lyrical or LAM. Lyrical allocates investments between eligible funds in a fair and appropriate fashion as determined in accordance with its compliance manual.

Lyrical and LAM have an indirect economic stake in each of the respective managed accounts and funds they manage which provide for compensation based upon performance.



## Item 12 – Brokerage Practices

We invest almost all of the assets of the Funds in Investment Vehicles. Such investments are not executed through broker-dealers. When we do execute transactions in marketable securities we consider the following factors in selecting broker-dealers and determining the reasonableness of their compensation:

- Quality of execution - accurate and timely execution, clearance and error/dispute resolution
- Reputation, financial strength and stability
- Block trading and block positioning capabilities
- Willingness to execute difficult transactions
- Willingness and ability to commit capital
- Ongoing reliability
- Desired timing of the transaction and size of trade
- Confidentiality of trading activity
- Market intelligence regarding trading activity

We need not solicit competitive bids and do not have an obligation to seek the lowest available commission cost. Accordingly, in any transaction or series of transactions, our Funds may pay commissions to a broker in an amount greater than the amount another broker might charge.

We do not have any “soft dollar” arrangements.

Subject to seeking best execution, we may also consider other relationships as factors in the selection of broker-dealers. For example, brokers to our clients have in the past, and may in the future, refer investors to Lyrical-managed funds or engage in other transactions with us. From time to time providers of client brokerage services also provide incidental consulting services and other advice with respect to our operations and other matters on a formal or informal basis. The provision of such services or advice may or may not be subject to formal agreements (including confidentiality agreements) and may or may not be compensated, depending on the extent of the services provided. Provision of services, including client referrals, could provide us with an incentive to select the respective broker-dealer for client transactions without regard to best execution. We will, however, provide compensation that we consider to be arm's length in any case in which such services have material value and will endeavor not to allocate brokerage transactions to a provider of such services as compensation for client referrals or other services or otherwise in violation of our duties to our clients. In the past fiscal year we did not direct client transactions to a particular broker-dealer in return for client referrals.

We do not permit clients to direct us to a particular broker-dealer.

Trades in marketable securities for the Funds are typically aggregated and allocated among the Funds in a manner deemed fair and equitable. To the extent that orders are not aggregated across all Funds it is possible that different Funds will experience different transaction prices.

### **Item 13 – Review of Accounts**

The Funds' holdings are reviewed on at least a monthly basis by Jeffrey Keswin and Jeffrey Moses, Lyrical's senior investment professionals with respect to the Funds. The portfolio review takes into account many factors including: current and expected future capacity available for specific Investment Vehicles relative to current and expected future flows of investment into each Fund; the quality of the opportunity set for each Investment Vehicle in the portfolio relative to other investment opportunities; the ability of each manager to add value going forward; and the current disposition of the portfolio relative to a hypothetically optimal allocation.

The regular written reports that we send to investors are monthly performance estimates and quarterly commentary. We also cause the Funds' administrators to provide written monthly capital account statements, annual audited financial statements and, for investors in the Domestic Fund, K-1 tax reporting.

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

We do not have any arrangements whereby any person is compensated for client referrals. However, from time to time we may enter into solicitation agreements with unaffiliated entities with respect to investors in the Funds. From time to time LAM compensates unaffiliated entities for certain client referrals.

### **Item 15 – Custody**

Under Rule 206(4)-2 of the Advisers Act, Lyrical is deemed to have custody of the securities and other assets of the Funds because we have the authority to obtain client funds or securities, for example, by deducting management fees or otherwise withdrawing funds from a client's account. Lyrical is not required to comply with certain requirements of Rule 206(4)-2 because the Funds are audited in accordance with U.S. generally accepted accounting principles on an annual basis by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. Audited financial statements are distributed to each investor in the Funds in accordance with the requirements of Rule 206(4)-2.

### **Item 16 – Investment Discretion**

We have discretionary authority to manage the Funds pursuant to the investment advisory agreements and formation documents with the Funds. Investment decisions for the Funds are made in accordance with the Funds' investment objective and guidelines.

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

Lyrical, in its capacity as an investment advisor to the Funds, makes proxy votes and processes corporate actions associated with Fund investments in Investment Vehicles funds as needed. Lyrical votes such proxies and takes such corporate actions with the best interests of its clients in mind and in accordance with its fiduciary duty to clients and the Advisers Act. Lyrical has the authority and responsibility to evaluate potential changes to the terms and structure associated with the Funds' investments in Investment Vehicles. Lyrical's investment professionals will seek to approve or reject proposed changes in the best interests of each affected Fund. Investors in the Funds cannot direct Lyrical's votes on behalf of the Funds. A copy of Lyrical's written proxy voting policies and procedures is available upon request, as is information about how Lyrical has voted.

Lyrical's Portfolio Manager and Chief Compliance Officer will consult with each other concerning the best method to resolve any actual or apparent conflict between the interests of Lyrical and the Funds in a manner that affords priority to the interests of the Funds taken as a whole.

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

We do not believe that there are any financial conditions reasonably likely to impair our ability to meet our contractual commitments to our clients.

### **Item 19 – Requirements for State-Registered Advisers**

Not applicable.