

Kestrel Partners LLP

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This Brochure provides information about the qualifications and business practices of Kestrel Partners LLP.

If you have any questions about the contents of this Brochure, please contact us at +44 (0)20 3371 6100 or email compliance@kestrelip.com. You may also visit our website at <http://kestrelip.com>.

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Kestrel Partners LLP is also available on the SEC's website at www.adviserinfo.sec.gov and on the Financial Conduct Authority's website at www.fca.org.uk/.

Registration of an Investment Adviser does not imply that Kestrel Partners LLP or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

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Item 2: Material changes

This is the third brochure filing prepared by Kestrel Partners LLP. The brochure is updated on an annual basis and material changes to it are identified in this section. Material changes are listed below.

1. Removal of the Sentinel Global Portfolio in Item 1. The IMA was terminated in September 2017.
2. Amendment to Soft Dollar section in Item 12 as Kestrel now pays directly from its own P&L for research services.

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Item 4: Advisory Business

Kestrel Partners LLP (“Kestrel”, the “Firm”) is an independent investment manager incorporated as a limited liability partnership registered in England and Wales. Kestrel Investment Partners is a trading name of Kestrel which is authorised and regulated by the Financial Conduct Authority (“FCA”) in the United Kingdom. It was co-founded by Ari Zaphiriou-Zarifi, Max Royde and Oliver Scott in 2009. The Firm’s principal owners are Max Royde, Double Z Holdings Limited (a company where the ultimate beneficial owner is a trust of which Ari Zaphiriou-Zarifi was the settlor) and Oliver Scott who own 40%, 35% and 15% of the company, respectively.

The Firm’s clients comprise regulated and unregulated collective investment schemes (“Funds”) and managed accounts (“Accounts”). The Firm provides investment management services to the following:

- Kestrel Opportunities Fund (“KOF”) – is a cell of a Guernsey based OEIC, Guernsey Portfolios PCC Limited, which authorised by the Guernsey Financial Services Commission as a Class B collective investment scheme.
- Kestrel Global Portfolio (“KGP”) is a sub-fund of Kestrel UCITS Funds plc, an Irish UCITS fund authorised for distribution in the UK and a number of other jurisdictions.
- Kestrel Inheritance Solution Tax (“KITS”) is a discretionary investment management service aimed at reducing individual inheritance tax liabilities.
- Other discretionary investment mandates.

The Funds are not sold in the US though the Firm will offer managed account services to US investors. Kestrel offers two investment management strategies to its clients: (i) UK quoted micro-cap and (ii) global asset allocation. Only the UK quoted microcap strategy is offered to US investors.

The information contained in this Brochure summarises the details of the services we provide and is not required to provide all the information that a prospective client will require prior to opening an account with us. If you have any questions about us or our services that we did not answer in this document, please contact us at +44 (0)20 3371 6100 or email compliance@kestrelip.com.

As at 31 March 2018, the Firm manages approximately US\$506million, all of which is managed on a discretionary basis.

Item 5: Fees and Compensation

The Firm is paid a management fee and, in some cases, a performance fee as agreed with each client. Pursuant to the agreements in place, certain expenses are paid for by the clients. Kestrel and its employees do not accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products.

For managed accounts, the management fees charged are based on a fixed percentage of the assets under management. This percentage will depend on the client type, the strategy and the size of the mandate. Additional custody fees, which are paid to the relevant custodian, may be applicable, the terms and payment methods of which will be agreed with each client.

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

Performance fees may be charged and these are agreed with each client. This will depend on the client type and the strategy.

No other hourly, flat or asset-based fees are charged to the Funds and Accounts.

Item 7: Types of Clients

As set out in Item 4, the Firm provides investment management services to a number of funds, UK based individuals as well as to managed accounts. Managed account services are offered to US institutional investors, high net worth individuals and family offices. Minimum account sizes vary.

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

The Investment Strategy, Methods of Analysis and Risk of Loss that are offered to US investors are as follows:

Investment Strategies

The investment strategy for the managed account service is to achieve long-term appreciation by investing in equity, quasi-equity and debt instruments of small capitalisation companies quoted on the Official List or AIM through a combination of primary issues and secondary market purchases.

Methods of Analysis

The Firm's method of analysis includes deep fundamental research of potential investee companies. This is carried out with a view to ascertaining their intrinsic value, with a particular focus on drivers of revenue visibility, profitability and cash generation. The main sources of information the Firm uses include:

- Annual reports, prospectuses, filings with regulators
- Company press releases
- Meetings with companies
- News sources
- Research materials provided by third parties

Risk of Loss Factors

The following sets out the key risks relating to the UK quoted micro-cap strategies that the Firm might consider for a Fund or Account based on the client's objectives, circumstances and preferences. Not all of the risks described below will apply to every client and not all the risks that apply to each client have been listed below.

Investing in securities involves risk of loss that clients should be prepared to bear. Investors should consider the following factors before investing. The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment. Prospective investors are urged to consult their professional advisers and the agreements before deciding to invest.

Investment in smaller companies

Investments in smaller companies are intrinsically riskier than in larger companies and more vulnerable to changes in markets and technology. Investment in smaller companies can also be difficult to liquidate. Many small companies have small management teams and are highly dependent on the skill and commitment of a limited number of individuals.

Valuation volatility

The market prices of smaller companies are often illiquid and subject to significant price volatility from time to time, which may have a corresponding effect on portfolio valuations. The prices at which any investment is capable of being realised may be at a substantial discount to the quoted-market price, which is normally the basis for calculating portfolio valuations. Similarly the prices at which significant stakes may be capable of being acquired may be significantly higher than the quoted mid-market. As a result, acquisitions or disposals of any underlying assets may result in valuation volatility.

Liquidity in the underlying investments

Although the smaller companies in which Kestrel's clients invest will generally have a market quotation, this can be no guarantee of liquidity either when seeking to acquire or sell holdings.

US Tax-Exempt Investors

Certain prospective clients may be subject to US federal and state laws, rules and regulations which may regulate their participation in a managed account. While an investment manager may believe that the investment programme is generally appropriate for US Tax- Exempt Investors for which an investment in a managed account would otherwise be suitable, each type of such investor may be subject to different laws, rules and regulations and should consult with their own advisors as to the advisability and tax consequences of an investment in a managed account. Investment in a managed account by entities subject to ERISA and other tax-exempt investors requires special consideration.

Reliance on key individuals and relationships

The performance of a Fund or Account will depend in substantial part upon the skill and expertise of a small number of investment professionals who work for Kestrel. There can be no assurance that such individuals will continue to work for Kestrel and if one or a number of those individuals became unavailable to manage a Fund or Account, such absence may adversely impact on that Fund or Account's financial performance.

Item 9: Disciplinary Information

The Firm has not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no persons involved in the management of the Firm have been subject to such action which is required to be disclosed.

Item 10: Other Financial Industry Activities and Affiliations

The Firm is authorised and regulated by the Financial Conduct Authority in the UK as a BIPRU limited licence firm. Its Firm Reference Number is 503303. The authorisation that it holds means that the Firm is permitted to provide discretionary management and advisory services to retail and professional clients.

The Firm maintains a record of any potential conflicts of interest, including external appointments held by all partners and employees. This list is updated when necessary and completeness is confirmed on an annual basis. None of the relationships notified to the Firm by the individuals concerned create a material conflict of interest between the Firm and its clients or between clients.

The Firm its partners and its employees do not maintain any outside relationships or arrangements, other than noted below, that are material or could cause conflicts to the business of the Firm.

In the interests of disclosure the following outside business interests are being disclosed for key investment employees:

Mr. Max Royde has the following outside business interests:

- Charles Connell & Co (Holdings) Limited, Non-Executive Director since January 2016
- Ingenta plc, Non-Executive Director since August 2016
- Findlay Park Partners LLP, Non-Executive Director since June 2017

Mr. Oliver Scott has the following business interests:

- ZF Acquisitions Limited, Chairman since November 2010
- ClearSpeed Technology Limited, Chairman since September 2009
- Ubisense Group plc, Non-Executive Director since May 2016

No conflicts to the business of the Firm have arisen in relation to these business interests.

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

Members and employees of the Firm must at all times place the interests of clients first. They must scrupulously avoid serving their own personal interests ahead of the interests of the Firm's clients.

Members and employees of the Firm must make sure that all personal securities transactions are conducted in compliance with the rules summarised below and in such a manner as to avoid any actual or potential conflicts of interest or any abuse of an individual's position of trust and responsibility.

Members and employees of the Firm should not take inappropriate advantage of their positions, including investment opportunities, prerequisites, or gifts from persons seeking business with the Firm.

The Firm has in place a Code of Ethics and Compliance Manual which set out the procedures in place governing personal trading. The Code of Ethics is available to clients or prospective clients upon request and includes the following provisions:

- All personal brokerage accounts used by staff and their spouses and dependent children (“related persons”) must be notified to the Firm.
- Prior approval is required before an equity trade can be executed.
- Copies of contract notes for the trades are submitted to the Firm.
- Initial and annual holdings reports are submitted to the Firm by all staff. These are checked back to the original approvals and contract notes where appropriate.

Kestrel’s personal dealing rules do not generally permit related persons to purchase securities for their own accounts at times when the accounts managed are actively trading in such securities.

Item 12: Brokerage Practices

We require that our clients’ interests always be placed first and foremost. Our trading practices and procedures prohibit unfair trading practices and seek to disclose and avoid any actual or potential conflicts of interests or resolve such conflicts in the clients’ favour. We have adopted the following policies and practices to meet the Firm’s fiduciary responsibilities and to ensure our trading practices are fair to all clients and that no Fund or Account is advantaged or disadvantaged over any other.

Best Execution

As an investment adviser, we have a fiduciary duty to seek best execution for our client transactions. As a matter of policy and practice, we seek to obtain best execution for client transactions. This may not always mean that we necessarily obtain the lowest price or commission, but we will seek to achieve the best overall qualitative execution in the particular circumstances. Other components that we analyse in seeking best execution are timeliness of having a transaction executed by a broker, the responsiveness of the broker to us and the financial responsibility of the broker.

Principal Trading

Our policy and practice is to not engage in any principal transactions.

Soft Dollars

We do not use “soft dollars” generated by trading activities to purchase research services or products. The limited 3rd party research that is used is paid for directly by the firm.

Item 13: Review of Accounts

All Funds and Accounts are subject to periodic review in order to ensure that they remain within the investment guidelines agreed with the client. Accounts are reviewed on a regular basis (at least weekly) by the portfolio managers directly responsible for that Account and on a quarterly basis by Kestrel’s relevant Investment Committee. Further reviews may also be triggered by a notification of a change in a client’s circumstances, such as an injection or redemption of capital.

Statements are sent to KITS clients on a quarterly basis by Kestrel, or on such other time frame as the client requests. These reports contain a detailed analysis of the holdings as at the reporting date and transactions during the period,

Item 14: Client Referrals and Other Compensation

Kestrel is not remunerated by any party other than its clients. The Firm receives no economic benefit for providing investment advice or other advisory services to its clients whether directly or indirectly.

The Firm engages with a number of third party marketers to market the Funds mainly in Europe. Only Red Sky Capital Solutions LLP market Kestrel in the US.

Item 15: Custody

Kestrel does not have custody of any client assets and therefore is not subject to the requirements of the Rule 206(4)-2 of the Advisers Act with regards to custody of assets of the Funds and Accounts ("Custody Rule").

All Funds and Accounts use external custodians and with whom these clients have direct agreements. Kestrel does not send out account statements with the exception of KITS clients.

Item 16: Investment Discretion

Kestrel has discretionary authority to manage accounts on behalf of the Funds and Accounts.

With managed accounts, clients may request from time to time that the Firm must not invest in specific assets or utilise specific investment techniques. Kestrel is able to customise its approach to each individual client.

Prior to accepting an appointment to act as a discretionary manager for a client, Kestrel conducts a "know your customer" assessment. This is performed so that the Firm understands each client's investment objectives and is then able to manage the portfolio in a suitable manner.

Item 17: Voting Client Securities

The Firm will normally vote proxies/corporate actions of companies in which the UK quoted micro-cap Fund or and largest managed account invest. The proxies/corporate actions are reviewed and analysed by the relevant portfolio manager at Kestrel. Prior to voting, Kestrel makes a determination as to what vote is in the best interest of the client. Kestrel will maintain a written record of the proxy/corporate action vote on each occasion that a vote is required.

Information on how the Firm has voted, together with a copy of its proxy voting policies and procedures, are available on request.

Item 18: Financial Information

Registered investment advisers are required in this item to provide certain financial information or disclosures about Kestrel's financial condition.

Kestrel has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.