

# Keyhaven Capital Partners Limited

**1 Maple Place, London W1T 4BB  
United Kingdom**

**March 2019**

This Brochure provides information about the qualifications and business practices of Keyhaven Capital Partners Limited (“**Keyhaven**”). If you have any questions about the contents of this Brochure, please contact Andrew Ware, Keyhaven’s Chief Financial Officer (“CFO”) and Chief Compliance Officer (“CCO”), at +44 (0) 20 7432 6200 or by email at [andrew@keyhavencapital.com](mailto:andrew@keyhavencapital.com). Additional information about Keyhaven is available on the website [www.keyhavencapital.com](http://www.keyhavencapital.com) and also on SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). 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.

Registration of an investment adviser does not imply that Keyhaven or any of its principals or employees possess a particular level of skill or training in the investment advisory business or any other business.

**Item 2: Material Changes**

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Since March 28, 2018, the date of the last filing, there have been no material changes.

**Item 3: Table of Contents**

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**Item 4: Advisory Business**

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Keyhaven Capital Partners Limited ("**Keyhaven**", the "**Adviser**", "**we**", "**us**", "**our**" or the "**Firm**"), is an independent firm established in 2002 by a team of experienced practitioners with a long history of working together. Keyhaven is a boutique advisory and Management Company focused on providing a quality product and service to a select number of institutional investors with whom the Keyhaven team works closely. The Adviser's principal place of business is in London, U.K.

Keyhaven Capital Partners I, L.P., ("**KCPI**") - the team's first independent fund - closed in 2004; Keyhaven Capital Partners II L.P. ("**KCP II**") closed in June 2006. Keyhaven Capital Partners IIIB, L.P. ("**KCPIIB**") is a parallel fund to Keyhaven Capital Partners III, L.P. ("**KCPIII**"). Both KCPIII and KCPIIB closed in July 2010. Keyhaven Secondaries Fund I, L.P. ("**KSFI**"), Keyhaven Secondaries Fund IB, L.P. ("**KSFIB**") and KSF I Co-Invest L.P. ("**KSFIco-inv.**") had their final close in June 2013. Keyhaven Growth Partners L.P. ("**KGP**") closed in March 2013 and Keyhaven Growth Partners II L.P. ("**KGPII**") had the final close in July 2014. Keyhaven Capital Partners IV L.P. ("**KCPIV**") and KCP IV C-Invest L.P. ("**KCPIVco-inv.**") had their final close in September 2016. Keyhaven Secondaries Fund II L.P. ("**KSFII**") had the final close in December 2017.

KCPI, KCP II, KCP III, KCPIIB, KSFI, KSFIB, KSFIco-inv., KGP, KGPII, KCPIV, KCPIVco-inv. and KSFII are collectively referred to as the "**Funds**" or the "**Clients**". The Funds are managed in accordance with each Fund's investment objectives, strategies, restrictions and guidelines.

The Funds were formed to pool investment funds of its investors for the purpose of investing its assets with a number of investment managers selected by Keyhaven. In industry parlance, the Funds are a mixture of "Private Equity Funds" and "Fund-of-Funds." The Funds operate as pooled investment vehicles intended to provide diversification, management expertise and other advantages to clients.

Keyhaven will be responsible for identifying and making suitable investments for the Funds and for the administration of the Funds. The Adviser is regulated in the UK by the Financial Conduct Authority ("**FCA**"). Keyhaven Capital Partners GP L.P., Keyhaven Capital Partners II GP L.P., Keyhaven Capital Partners III GP L.P., KSF I GP L.P. KSF GP Ltd, Keyhaven Growth Partners GP L.P., Keyhaven Capital Partners IV GP L.P., KSF II GP Ltd and Keyhaven Secondaries II GP L.P. are the "**General Partners**" for each respective Fund.

The Funds are managed only in accordance with their own characteristics and are not tailored to any particular private fund investor. Information about each Fund can be found in its offering documents, including its confidential information memorandum.

Investors in the Funds may include institutionally sized high net worth individuals through corporate or trust structures and a variety of institutional investors. Certain U.S. investors may be required to meet the standards of an "accredited investor" under the Securities Act of 1933, as amended (the "1933 Act") and a "qualified purchaser" under the Investment Company Act of 1940, as amended (the "Investment Company Act").

Investors may not withdraw from the Funds other than when and as required to be distributed by such Fund, and as set forth in each Fund's confidential information memorandum.

The Firm was owned 100% by Godshill LLP as of the date of this filing. The Designated Members of Godshill LLP are Sasha van de Water and Claus Stenbaek.

As of December 31, 2018, the Firm managed US\$ 1,171,924,913 in the Funds, all of which were managed on a discretionary basis.

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**Item 5: Fees and Compensation**

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Each Fund will bear its own operating expenses and costs, including legal and audit fees and third party costs arising from uncompleted transactions and any irrecoverable VAT incurred or payable by the Adviser or General Partner(s). The Funds may incur brokerage and other transaction costs. For further details on the Firm's brokerage practices refer to Item 12 of this Brochure.

The Adviser may charge and receive transaction fees on investments by the Fund whether or not completed and other similar fees (such as advisory board fees, commitment fees etc.) and such fees will be off-set against the General Partner(s) Share(s).

Fees are deducted from the investors' accounts by instructing the Funds' custodian.

Keyhaven 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.

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

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The General Partner generally receives a performance allocation with respect to each Fund that is calculated based upon a percentage of the net capital appreciation of the relevant Fund. The performance allocations are charged in compliance with Rule 205-3 of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**").

The Founder Partner/General Partner will be entitled to a carried interest equal to a certain percent of the Funds' profits on Fund Investments. On Secondary Investments and Special Opportunity Investments, the Founder Partner will be entitled to a carried interest equal to a certain percent of the Funds' profits. In each case the carried interest will not be paid until the Investors have received back from the Fund amounts equal to their Loan Commitments drawn down and the Preferred Return.

The Preferred Return is calculated on a daily basis on Outstanding Commitments.

Performance based fee arrangements may create an incentive for Keyhaven to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements may also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Keyhaven has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

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

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**Item 7: Types of Clients**

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The Firm's clients are the Funds. Investors in the Funds consist primarily of select number of institutional investors with whom the Keyhaven team works closely.

The minimum initial investment for the Funds is US\$ 8,731,000 (€10m) or such lesser figure as may be agreed by the Manager in its absolute discretion.

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

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### ***Methods of Analysis***

We partner with firms operating in the European small cap markets which can demonstrate deep experience in their chosen sector or geography, a value-oriented approach to investing, and a clear focus on operational improvements as opposed to relying on leverage to drive performance.

Keyhaven focuses on investing into high growth, entrepreneurial small businesses where we and our partners can implement strategic and operational improvements to continue to drive growth post acquisition. The favourable investment conditions of the European small cap market, together with Keyhaven's focused origination strategy, ensure that we are well placed to source attractively priced opportunities that exhibit these criteria.

We aim to identify trends ahead of the broader market and we seek investment opportunities which will allow us to capitalise on these future market developments. Keyhaven maintains an open door policy, and we will meet with sponsors who are operating in the private equity arena in the UK and Europe, or those who intend on setting up an investment programme in one of these regions.

We run a robust due diligence process, and believe that our deep networks and broad global experience are key to providing crucial insights and understanding of people, businesses and the markets in which they operate. We pride ourselves on providing timely, honest feedback, and on building durable, long term relationships with current and future market leaders.

We are a partner-led firm, and the senior resource we dedicate to all aspects of our investment work differentiates us in our market segment, as we prefer to work with sponsors who like us are entrepreneurs, and with whom we share a similar philosophy and experience. We are therefore able to build strong connections with our partners, which frequently leads to preferred access to investment opportunities.

### ***Investment Strategy***

We founded Keyhaven Capital Partners in 2003 with the primary objective of maximising returns for our investors, coupled with prudent risk management. We believe that the small cap space represents the most attractive investment opportunity in Europe today, as it is characterised by less competition, less intermediation, and deal flow which tends to be relationship-driven. In our experience, this results in lower pricing and debt levels, and ultimately in lower volatility and higher returns.

This market segment also comprises the largest opportunity set in Europe, with 99% of all EU businesses and an average of two-thirds of all private equity transactions each quarter falling into this category.

Small cap investing benefits from many of the attributes which have historically been hallmarks of successful private equity performance. European industries such as manufacturing and services are dominated by small companies, including niche businesses whose growth rates are forecast to be significantly above those prevailing in the broader EU economy and which are ripe for consolidation.

It can be difficult for institutional investors to access this attractive market segment, as private equity funds operating in the small cap space in Europe tend to be small, country specific, and often are only marketed to local investors, or those who proactively search them out. Language and cultural barriers, together with divergent local business practices can further work to impede the selection process, further emphasising the requirement for specialist skills and experience to navigate this area effectively.

Research shows that small cap funds have historically outperformed mid cap and larger private equity funds, and we believe that this dynamic is set to continue.

### ***Investment Process***

Keyhaven invests with managers who can demonstrate passion for what they do, deep experience in their chosen field, leadership of both thought and execution, and outstanding corporate governance. We aim to identify trends ahead of the broader market and we seek investment opportunities which will allow us to capitalise on these future market developments.

Keyhaven maintains an open door policy, and we will meet with managers who are operating in the private equity arena in the UK, Europe and in emerging markets, or those who intend on setting up an investment programme in one of these regions.

We run a robust due diligence process, and believe that our networks and global experience are key to providing crucial insights and understanding of people, businesses and the markets in which they operate. We pride ourselves on providing timely, honest feedback to managers, and on building durable, long term relationships with current and future market leaders.

### ***Risk of Loss Factors***

Investing in securities involves risk of loss that investors should be prepared to bear. Investors should consider the following factors before investing in the Funds. The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Funds. Prospective investors are urged to consult their professional advisers and review the legal documents for each particular Fund before deciding to make an investment in a Fund.

An investment in the Funds will involve a significant risk for a number of reasons including the following:

- (a) the value of any investment can go down as well as up;
- (b) investments in unquoted companies are intrinsically riskier than in quoted companies as the unquoted companies may be smaller, more vulnerable to changes in markets and technology and dependent on the skills and commitment of a small management team;
- (c) investments in unquoted companies can be difficult to realize. At the termination of the Funds such investments may be distributed in specie so that Investors may then become minority shareholders in a number of unquoted companies;
- (d) Commitments in the Funds are not freely transferable and no market for such Commitments currently exists, nor is one expected to develop;

- (e) investors should have the financial ability and willingness to accept the risks and lack of liquidity associated with an investment in a partnership of the type described herein;
- (f) some investments may be in currencies other than in Euro and therefore their value may vary with the relevant exchange rate;
- (g) the Funds will be managed by the Adviser. Limited Partners will not be able to make investment or other decisions on behalf of the Funds or have any role in the Funds' transactions;
- (h) the success of the Funds depends on the ability of the Adviser to identify, select, effect and realise appropriate investments; there is no guarantee that suitable investments will be or can be acquired or that investments will be successful;
- (i) the Funds' success will depend in substantial part upon the skill and expertise of the investment professionals employed by the Adviser and there can be no assurance that such individuals will continue to be employed by such entities or to function on behalf of the Funds;
- (k) the Limited Partners will not receive any financial information issued by prospective portfolio companies or by prospective portfolio funds which is available to the Adviser prior to the Funds making an investment;
- (l) the Funds, as minority investors, might not always be in a position to protect its interests effectively;
- (m) changes in legal, tax and regulatory regimes may occur during the life of the Funds which may have an adverse effect on it or its investments;
- (n) no assurances can be given that the target returns of the Funds will be achieved;
- (o) there may be a significant period of time before the Funds have invested all of the Commitments;
- (p) unquoted investments can take several years to mature. As a result, while long-term performance of the Funds may be satisfactory, performance in the early years may be poor;
- (q) Investors may be required to indemnify the General Partner, the Adviser and related parties for liabilities, costs and expenses arising in connection with services to the Funds;
- (r) the Funds may be competing for investments with other parties. It is possible that competition for appropriate investment opportunities may increase, which may reduce the number of opportunities available and/or adversely effect the terms upon which such investments can be made;
- (s) the Funds may participate in a limited number of investments so that returns might be adversely affected by the poor performance of even a single investment;
- (t) the fact that the Founder Partner's carried interest is based on the performance of the Funds may create an incentive for the Adviser to make investments that are more speculative than would be the case otherwise;
- (u) Commitments have not been and will not be registered under the United States Securities Act of 1933, as amended, or any other applicable securities laws; and



(v) while it is intended to structure the Funds' investments in a manner that is intended to achieve the Funds' investment objectives, there can be no guarantee that the structure of any investment will be tax efficient for a particular investor or that any particular tax result will be achieved. In particular, as an investor in Portfolio Funds, the Funds may have little or no influence over how underlying investments are structured;

(w) if an Investor fails to meet a drawdown notice, the Adviser may pursue remedies that will be set out in the Partnership Agreement;

(x) the position of Investors in the Funds may depend on the amount of information the Funds receive from Portfolio Funds about the Portfolio Companies. If the Funds do not have the right to access particular information about the Portfolio Companies, Investors' positions, including their tax position, may be prejudiced. In particular, the Funds may not be able to access information from Portfolio Funds needed by Partners to enable them to comply with tax reporting (and calculation and payment) rules to which they are subject. Partners may be put in a position where a default in complying with such obligations is inevitable;

(y) Keyhaven and its affiliates manage other funds and provide advisory services to various institutional investors and they expect to expand such relationships in the future. Accordingly, conflicts of interest may arise if such other funds or institutional clients invest, or seek to invest, in one or more of the same underlying companies as the Funds. A conflict of interest may also arise in connection with the disposition of the securities of a portfolio company in which more than one fund or institutional investor advised by Keyhaven or its affiliates have an interest. In the case of such sales, Keyhaven will endeavor to aggregate orders and appropriately allocate the proceeds to each investor's holdings. Keyhaven or its affiliates may also advise present or future clients with respect to investments other than those offered to the Fund. In all instances in which a conflict of interest may be present, Keyhaven will endeavor to act in the best interests of the Funds; and

(z) in considering the track record information, prospective investors should bear in mind that past or projected performance is not necessarily indicative of future results, and there can be no assurance that the Fund will achieve comparable results. Actual realized proceeds on unrealized investments will depend upon many factors, including future operating results, the manner in which such investments are sold, and market conditions, asset values, and transaction costs applicable at the time of disposition, all of which may differ significantly from those which applied when the historical results were achieved. Accordingly, the proceeds which may be realized in the future on unrealized investments may differ materially from the returns indicated herein.

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**Item 9: Disciplinary Information**

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This Item is not applicable.

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

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This Item is not applicable.

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

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***Participation or Interest in Client Transactions***

We serve as the investment adviser to the Funds. Employees, affiliates of the employees, and relatives of the employee may make investments in the Funds. We may or may not receive any compensation from such investments from employees.

We and our affiliates and employees have a financial interest in the Funds through an incentive allocation or a direct investment interest in the Funds. As such, we could be considered to have recommended to investors that they buy or sell securities or investments in which the Firm or a related person has some financial interest.

***Code of Ethics & Personal Trading***

Pursuant to Rule 204A-1 of the Advisers Act, we have adopted a Code of Ethics and Employee Investment Policy that establish various procedures with respect to investment transactions in accounts in which our employees or related persons have a beneficial interest or accounts over which an employee has investment discretion.

In general, employees (and members of their immediate households) are permitted to invest in equities, options or futures but must obtain written pre-approval from the CCO. The spirit of the Code of Ethics and the Employee Investment Policy is to discourage frequent trading in employee personal accounts. In addition, employees may not acquire securities for their own account in an initial public offering. Employees must also obtain pre-approval from the CCO before engaging in any outside business activities or private placements.

All of our employees must direct their brokers to send duplicate brokerage statements to the CCO. These records are used to monitor compliance with the foregoing policies.

These policies apply to any personal transactions involving equity, debt, options, or futures. This policy does not apply to transactions involving government securities or open-end mutual funds, exchange traded funds (ETFs) or other instruments which afford the investor no discretion over individual securities transactions.

Our Code of Ethics and Employee Investment Policy are available upon request.

**Item 12: Brokerage Practices**

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As Keyhaven manages private equity funds, it does not ordinarily engage in the trading of publicly-traded securities. Accordingly, the portfolio investments of its Clients are not generally executed through brokerage firms, and Keyhaven does not ordinarily select or recommend brokers for Clients.

***Principal Trading***

Our practice is to not engage in any principal transactions.

***Soft Dollars***

Keyhaven does not currently use “soft dollars”. In the event that “soft dollars” generated by Clients’ trading activities is used to purchase research services or products that would

otherwise have been an expense of the Firm, we intend to keep any such arrangements within the parameters of Section 28(e) of the Securities Exchange Act of 1934, as amended.

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**Item 13: Review of Accounts**

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**Review of Accounts**

The Funds managed by the Firm are reviewed regularly and at least on a quarterly basis to assure conformity with investment objectives and guidelines.

**Reporting**

As soon as practicable after the end of each year, Keyhaven will distribute an audited financial report (prepared using UK GAAP as modified by Limited Partnership Agreements) for all Keyhaven Funds with respect to the previous fiscal year to all investors within 120 days of each Fund's fiscal year-end. In addition, each Fund will generally distribute net asset value updates and performance reports with attribution analysis on a quarterly basis via the Fund's administrator for Funds KCPI or via Keyhaven with respect to all other Funds.

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

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We do not currently utilise any third party marketers or solicitors for client referrals.

We do not currently provide advice to parties other than the investors in the Funds. The Firm also does not provide other advisory services to the investors in the Funds.

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**Item 15: Custody**

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Keyhaven does not provide custodial services to the Funds. The assets of the Funds are held with Qualified Custodians. As a matter of policy and practice, Keyhaven does not permit employees to accept or maintain custody of client assets. In order to satisfy Rule 206(4)-2 of the Advisers Act, Keyhaven will ensure that each investor receives a copy of the applicable Fund's audited financial statements within 120 days of its accounting year end date. The audited financial statements are prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments and in accordance with UK generally accepted accounting principles modified by LPAs.

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**Item 16: Investment Discretion**

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Keyhaven possesses discretionary portfolio management authority over the Funds with respect to asset allocations and direct investments as per the advisory agreements and offering documents in place.

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

Keyhaven has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment

management agreement and any written investment guidelines) and (ii) the amount of securities to be purchased or sold for the client account.

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**Item 17: Voting Client Securities**

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Keyhaven does not anticipate owning on behalf of any Investor or Funds any equity securities granting it, or its clients, the right to vote proxies. However, Keyhaven has established a Proxy Voting Policy in the unlikely event that it is required to vote a proxy for certain investments or if Keyhaven is required to vote on a corporate action regarding a Portfolio Manager or Portfolio Fund.

To the extent Keyhaven has been delegated proxy voting authority on behalf of its clients, Keyhaven complies with its proxy voting policies and procedures that are designed to ensure that in cases where Keyhaven votes proxies with respect to client securities, such proxies are voted in the best interest of the Funds. The investors in the Fund may not direct voting of proxies.

Upon request, we will provide an investor with a copy of our proxy voting policies and procedures and/or a record of all proxy votes cast by the Funds.

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**Item 18: Financial Information**

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