

**Red Kite Management (USA) L.P.**  
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**Part 2A of Form ADV: Firm Brochure**  
**February 2012**

*This brochure provides information about the qualifications and business practices of Red Kite Management (USA) L.P. If you have any questions about the contents of this brochure, please contact us at +44 (0) 207-920-6175 and/or paul.coughlan@rkcapital.co.uk. 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 Red Kite Management (USA) L.P. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). An investment adviser’s registration with the SEC does not imply a certain level of skill or training.*

**Item 2            Material Changes**

No material changes are reported as this is the firm's initial Form ADV. Future Form ADV materials will describe material changes in the firm's business as needed. All information in this brochure is given as of the date set out on the cover page.

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#### **Item 4            Advisory Business**

Red Kite Management (USA) L.P. (“RK USA”), a limited partnership formed under the laws of Delaware, was formed and began its operations in December 2005. RK USA’s principal owners are Michael Farmer, Oskar Lewnowski III and David Lilley. For purposes of this brochure, “Red Kite” refers to RK USA and its affiliates that provide investment advisory services to the Funds (as defined below) through RK USA. See Item 10.

Red Kite currently provides investment advisory services to private investment funds (each, a “Fund” and together the “Funds”) that comprise a hedge fund master-feeder structure (the “Hedge Funds”) and a private equity fund master-feeder structure (the “Private Equity Funds”). Each of the Funds is exempt from registration under the Investment Company Act of 1940, as amended.

The primary investment strategies of the Funds may include, but are not limited to, participating in various mine financing activities including merchanting and financing opportunities, purchasing debt and equity instruments in conjunction with private loan transactions, acquiring future metals output through production offtake agreements with debt and equity components, trading and hedging long-dated investments in metals derivatives, selling or loaning physical metal, investing in ferrous, non-ferrous and precious metals mining companies, bulk commodities mining and/or refining companies, smelting and refining productions processors and metals related trading companies.

Red Kite provides advisory services to the Funds pursuant to separate investment advisory agreements and investment management agreements between the Funds and Red Kite. As investment adviser and investment manager to the Funds, Red Kite evaluates investment proposals, determines the investments to be acquired by the Funds, assists the Funds in transactions in which they acquire investments, and monitors the operations and performance of the Funds’ investments.

As of February 1, 2012, Red Kite provides advisory services to a total of \$422 million of assets in the Funds on a discretionary basis.

## **Item 5            Fees and Compensation**

### *A.        General*

Red Kite receives from the Hedge Funds a monthly management fee, payable in arrears, equal to a rate of 1-2% per annum of net assets. Red Kite also receives incentive compensation generally equal to 17.5-20% of the net profits of the Hedge Funds. In certain limited circumstances investors in the Hedge Funds will receive “offtake shares” or “offtake interests” that relate to investments in offtake investments. Red Kite receives an administration fee equal to 15% of the amounts otherwise distributable to investors with respect to such offtake shares or offtake interests. In addition, the Hedge Funds receive an “Offtake Capital Charge” that is deducted from amounts otherwise distributable with respect to offtake shares or offtake interests.

Red Kite receives from the Private Equity Funds a quarterly management fee, payable in advance, equal to an annual rate of 1.5-2% of capital commitments or funded commitments, as applicable. Red Kite also receives an incentive allocation equal to 20% of the net profits of the Private Equity Funds after a “hurdle” return is realized. Red Kite may receive other fees, including transaction, directors, consulting, investment banking, monitoring, closing, topping, break-up and other similar fees, which will be applied in full to reduce the management fees.

Red Kite may waive or reduce the fees applicable to a particular investor in the Funds.

### *B.        Arranging Payment from Clients*

The fees are deducted from the accounts of the Funds by their third-party administrators.

### *C.        Other Expenses*

The Funds are subject to costs and expenses in addition to the fees described above. The costs and expenses may include, but are not limited to, audit fees, legal fees, administrative fees, other service provider fees, consulting fees, insurance fees, transactions costs and expenses, broken-deal expenses, custody fees, interest charges, external research expenses, indemnification expenses, valuation fees, taxes, travel fees, extraordinary fees and organizational expenses. The Funds have appointed RKY Services Limited, which is affiliated with Red Kite, to carry out certain administrative functions in relation to physical metal investment transactions for which the Funds bear fees. The Funds also incur brokerage fees. See Item 12.

### *D.        Advance Payment of Fees*

The Private Equity Funds pay Red Kite management fees quarterly in advance. If the management agreement is terminated in the middle of a quarter, the Funds are entitled to a pro rata rebate of the management fee.

*E. Sale of Securities*

Red Kite and its supervised persons do not currently accept compensation for the sale of investment products.

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

As noted above in Item 5, Red Kite receives incentive compensation from the Funds. The receipt of incentive compensation may create an incentive for Red Kite to make investments that are riskier or more speculative than would be the case in the absence of such performance compensation.

**Item 7           Types of Clients**

Red Kite currently provides investment advisory services to private investment funds. Red Kite provides such services directly to the Funds and not to the Funds' investors. The investors participating in the Funds include pension plans, trusts, foundations and endowments, other financial institutions and high net worth individuals. The minimum investment in the Funds is generally \$3,000,000, though the Funds may accept smaller investments. In the future, Red Kite may provide investment advisory services to additional clients.

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

### *A.       General*

As described in Item 4, Red Kite advises private funds that engage in various mine financing activities, including merchanting and financing opportunities, purchasing debt and equity instruments in conjunction with private loan transactions, acquiring future metals output through production offtake agreements with debt and equity components, trading and hedging long-dated investments in metals derivatives, investments in royalties, selling or loaning physical metal, investing in ferrous, non-ferrous and precious metals mining companies, bulk commodities mining and/or refining companies, smelting and refining productions processors and metals related trading companies.

### *B.       Risks of Strategies*

***Investment risk.*** There can be no assurances Red Kite will achieve its investment objective on behalf of its clients. An investment in a Fund involves a high degree of risk and is an illiquid investment. Investing in a Fund involves a risk of loss, including a loss of an investor's entire investment, that a prospective investor should be prepared to bear.

***Reliance on key personnel.*** The investment professionals of Red Kite will decide which investments will be made by the Funds. Should any of the investment professionals become incapacitated or die and should the replacement (if any) for such person not equal his or her predecessor's performance, the profitability of the Funds' investments may suffer.

***Economic and business conditions.*** General economic and business conditions may affect the Funds' activities. Interest rates, the prices of securities and participation by other investors in the financial markets may affect the value of investments purchased by the Funds. Since the second half of 2007, the global economy slowed in response to a declining residential real estate market, monetary tightening by central banks, rising prices of petroleum and other commodities, markdowns by, and lower perceived creditworthiness of, financial institutions, declining business and consumer confidence, tightening credit conditions, and rising unemployment. Accordingly, there is a risk that the global downturn could persist for a number of years. The global economic downturn could negatively impact the Funds' expected returns. Global rates of growth or economic conditions that are weak for a prolonged period of time may pose risks of systematic defaults by borrowers, inflationary or exchange-rate pressures or geopolitical disturbances that could adversely affect the Funds' returns. As a result of these factors, the Funds could incur significant losses or simply fail to meet their objectives.

***Offtake Investments.*** The Funds may enter into "offtake contracts." Offtake contracts are arrangements whereby a Fund will agree to purchase a fixed amount of forward production at a price formula with certain types of optional delivery and payment schedules. There can be no assurance that the market outlets exist when the product is delivered to allow a Fund to resell the product at a profit.

***Leverage.*** The Funds are authorized to and may use leverage. Utilization of leverage is a speculative investment technique and involves risks to investors. The leverage provided to the Funds will result in interest expense and other costs incurred in connection with such borrowings, which may not be covered by the net interest income, dividends and appreciation of the investments purchased. Although the use of leverage may enhance returns and increase the number of investments that can be made, it involves a heightened degree of risk, is inherently more sensitive to adverse economic factors (such as a significant rise in interest rates, a downturn in the economy, deterioration in the condition of such investments, declines in revenues and increases in expenses) and can exaggerate the financial effect of any increase or decrease in the value of such investments.

***Risk of Commodity Price Fluctuations.*** Historically, commodity prices in natural resources industries have been volatile. As a result, investor returns can be adversely affected by commodity price movements, notwithstanding the favorable underlying performance of the assets. Volatile commodity prices make it difficult to estimate the value of producing properties for acquisition and divestiture and often cause disruption in the market for resource-producing properties, as buyers and sellers have difficulty reaching agreement on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions and development and exploitation projects.

***Distressed Securities.*** The Funds' investment program may include making investments in distressed companies, including, without limitation, investments in enterprises involved in workouts, liquidations, reorganizations, bankruptcies and similar situations. Since there is substantial uncertainty concerning the outcome of transactions involving such companies, there is a high degree of risk of loss by a Fund of its entire investment. In addition, such companies may not have ready access to the traditional capital markets. Such investments may be premised on a turnaround strategy. If turnarounds are not achieved, these companies could experience failures or substantial declines in value, and a Fund may not be able to divest itself of such unprofitable investments in a timely fashion or at all. Additionally, turnarounds may not be achieved within the contemplated investment horizons. Such companies' securities or instruments may be considered speculative, and the ability of such companies to pay their debts on schedule could be adversely affected by interest rate movements, changes in the general economic climate or the economic factors affecting a particular industry, or specific developments within such companies. Investments in companies operating in workout or bankruptcy modes also present additional legal risks, including fraudulent conveyance, voidable preference and equitable subordination risks.

***Political and/or Economic Instability.*** The Funds may make investments in, and engage in transactions with parties located in, countries with political and economic systems that are less developed and less stable than those of countries with more established, mature market economies, especially those of Western Europe, the United States and Japan. These activities involve certain risks not typically associated with investing in countries with more established, mature market economies, including risks relating to (i) nationalization or expropriation of assets or confiscatory taxation, (ii) social, economic and political uncertainty, and revolution, (iii) price fluctuations and market volatility, limited liquidity and small capitalization of securities markets, (iv) currency exchange matters, including fluctuations in the rate of exchange between the U.S.

dollar and the various non-U.S. currencies in which the Funds' non-U.S. investments are likely to be denominated, and costs associated with conversion of investment principal and income from one currency into another, (v) high rates of inflation, (vi) controls on, and changes in controls on, foreign investment and limitations on repatriation of invested capital and on the ability to exchange local currencies for U.S. dollars, (vii) governmental involvement in and control over the economies and (viii) governmental decisions to discontinue support of economic reform programs generally and to impose centrally planned economies.

**Item 9            Disciplinary Information**

Red Kite and its management persons have not been involved in any material legal or disciplinary events, such as court actions or regulatory or self-regulatory proceedings.

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

Red Kite, together with other affiliated entities (together, the “Red Kite Group”), advise several pooled investment vehicles that have, in aggregate, approximately \$1.3 billions in assets. The pooled investment vehicles advised by the Red Kite Group engage in metals trading, while the Funds also invest and trade in securities related to, broadly, various aspects of the metals business. The Red Kite Group collectively employs approximately 40 people with offices in Denver, Hamilton, Hong Kong, London, New York, Shanghai and Sydney. Certain of the companies in the Red Kite Group are regulated by the Bermuda Monetary Authority in Bermuda, the Financial Services Authority in the United Kingdom, the Australian Securities and Investment Commission in Australia or the Securities and Futures Commission in Hong Kong. RK USA and certain of its affiliates have filed a single Form ADV in reliance upon the positions expressed in the American Bar Association No-Action Letter dated January 18, 2012 and in the Uniao de Bancos de Brasileiros S.A. No-Action Letter dated July 28, 1992. Please see Schedule D, Section 1.B of Part I of RK USA’s Form ADV for the names of the other entities that provide investment advisory services to the Funds through Red Kite.

Conflicts may arise with respect to allocations of personnel and investment opportunities. The investment professionals of the Red Kite Group will devote such time as will be necessary to conduct the business of their clients in an appropriate manner, and will allocate investment opportunities in a manner that it determines to be fair to its clients.

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

Red Kite has adopted a code of ethics. The code of ethics requires all employees to comply with the federal securities laws at all times and to act with competence, dignity, integrity and in an ethical manner. Recognizing that Red Kite is a fiduciary of the Funds, the code of ethics also requires employees to adhere to the highest standards and act in the Funds' best interests with respect to any potential conflicts of interests.

Red Kite's code of ethics also contains policies and procedures that are designed to mitigate any potential material conflicts of interest associated with the personal trading activities of its personnel. Red Kite's code of ethics contains a personal account transaction policy to mitigate the conflicts of interest presented by personal trading activities.

Employees are required to promptly report any suspected violations of the code to Red Kite's chief compliance officer, and are also expected to discuss any perceived risks or concerns with such officer or the employee's supervisor.

A copy of the code of ethics will be available to the Funds and their current or prospective investors upon written request.

## **Item 12            Brokerage Practices**

Red Kite may use multiple brokers to execute and clear trades for the Funds. In determining which broker to select, Red Kite considers various factors, including but not limited to price, the ability of the brokers and dealers to effect such transaction, and the relative creditworthiness of the brokers and dealers. Red Kite seeks to use brokers and dealers whose commissions they consider to be fair and reasonable without necessarily determining that the lowest possible commissions are paid.

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

Red Kite monitors the Funds' investments on a continuous basis. Red Kite's portfolio managers generally meet formally on a weekly basis to discuss the Funds' portfolios, potential investment opportunities and other important matters. Red Kite also reviews the valuations of the Funds' investments on a monthly or quarterly basis, depending on the Fund. The Funds' third party administrators are responsible for the final determination of valuations.

The Funds' investors are provided with quarterly financial information and audited Fund financial statements on an annual basis. In addition, Red Kite prepares quarterly letters containing summaries of Fund holdings and transactions that are provided to the Funds' investors in conjunction with their quarterly account statements.

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

Red Kite utilizes the services of an independent, third-party marketing firm to solicit clients for investors in certain of the Funds. The third-party marketing firm receives a monthly retainer fee and an incentive fee based upon the amount of the investments in the Funds made by investors solicited by the third-party marketing firm. Any such referral fee will be paid solely by Red Kite, and will not result in any additional charge to the Funds. If a prospective investor in the Fund is introduced to us by an unaffiliated solicitor, we require the solicitor to disclose to the prospective investor the nature of the solicitor's relationship with us, including the compensation to be received by the solicitor from us and our affiliates, and to provide the prospective client with a copy of this Brochure.

**Item 15**      *Custody*

The assets of the Funds are maintained by qualified custodians. However, Red Kite expects, in many cases, to be deemed to have custody of the assets of the Funds. An independent public accountant audits the Funds annually and the audited financial statements are distributed to the investors of the Funds.

**Item 16          Investment Discretion**

Red Kite has discretionary authority to determine the investments and the amounts thereof to be bought or sold by the Funds. Such authority is subject to the limitations set forth in the applicable investment management agreement, investment advisory agreement or limited partnership agreement.

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

Red Kite has adopted policies and procedures regarding its exercise of proxy votes in connection with the Funds' investments. Red Kite's policy is to exercise votes in the best interests of the Funds, taking into consideration all relevant factors, including without limitation, acting in a manner that Red Kite believes will maximize the economic benefits to the Funds. Red Kite has adopted policies and procedures to address potential material conflicts of interest associated with proxy votes between itself and the Funds, which in certain circumstances may include the engagement of outside counsel for recommendations and/or abstaining from voting. Red Kite maintains records in connection with each proxy vote.

A Fund or an investor in a Fund may obtain a copy of Red Kite's proxy voting policies and procedures and information about how Red Kite voted with respect to the Fund's securities upon written request to Red Kite.

**Item 18        Financial Information**

No management fees are payable to Red Kite by the Funds more than six months in advance. As such, under relevant SEC rules Red Kite is not required to include its balance sheet for the most recent fiscal year or disclose information about its financial position.

Red Kite is not aware of any financial conditions that are reasonably likely to impair its ability to meet its contractual obligations to the Funds. Red Kite has never been the subject of a bankruptcy petition.

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

Red Kite is not registered with any state securities authority.