

# **KVK GLOBAL STRATEGIES LLC**

**200 West Monroe**

**Suite 1330**

**Chicago, Illinois 60606**

**July 23, 2015**

**Initial Form ADV Part 2A Filing**

**(“The Brochure”)**

**This brochure provides information about the qualifications and business practices of KVK Global Strategies LLC. If you have any questions about the contents of this brochure, please contact us at 312-448-9766. 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 KVK Global Strategies LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**KVK Global Strategies LLC is a registered investment adviser with the SEC; however, its registration does not imply any level of skill or training.**

## **Item 2 Material Changes**

This item is not applicable to the Brochure as it is part of KVK Global Strategies LLC’s initial registration statement. Going forward, this section will address any material changes that have been incorporated since the last delivery or posting of this Brochure on the SEC’s public disclosure website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 3 Table of Contents**

Item 2. Material Changes .....	2
Item 3. Table of Contents .....	2
Item 4. Advisory Business .....	2
Item 5. Fees and Compensation .....	3
Item 6. Performance Based Fees and Side-by-Side Management .....	4
Item 7. Types of Clients .....	5
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss.....	5
Item 9. Disciplinary Information.....	7
Item 10. Other Financial Industry Activities and Affiliations.....	8
Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	8
Item 12. Brokerage Practices .....	9
Item 13. Review of Accounts.....	10
Item 14. Client Referrals and Other Compensation.....	11
Item 15. Custody .....	11
Item 16. Investment Discretion .....	11
Item 17. Voting Client Securities .....	11
Item 18. Financial Information .....	11

## **Item 4. Advisory Business**

### **Description of KVK Global Strategies LLC (“KVKGS”)**

At the time of this filing, KVKGS has no clients and no assets under management. However, KVKGS anticipates that within 120 days of the effective date of this registration statement, it will meet the regulatory requirements for assets under management for a registered investment adviser and has filed this initial registration statement in anticipation of this event. KVKGS will serve as an investment manager for pooled investment vehicles operating as private investment funds. Specifically, KVKGS will primarily manage collateralized loan obligation funds (“CLOs” or “Funds”) which will invest primarily in senior secured floating rate leveraged loans made to corporate and other business entities. These instruments are secured by the debtor’s assets and rank first in priority of payment in the capital structure, ahead of unsecured debt. The advisory services offered by KVKGS will be tailored to the specific needs of each Fund as set forth in the Fund’s offering memorandum and other governing documents including the

indenture. Additionally, KVKGS intends to market its services to investors both in and outside of the U.S. and its Funds will be established and structured to comply with European Union regulatory requirements, as well as those in the United States. Generally, at the time a Fund is structured there will be a discussion between KVKGS and the Fund with respect to these needs including the investment strategy and risk parameters, any investment restrictions, risk retention requirements and other aspects of KVKGS' management of the Fund.

KVKGS will only advise entities with which it has entered into an investment management agreement and will not provide its services to any other entities. It also expects to have full investment discretion for all Funds it will manage.

KVKGS is a wholly owned subsidiary of Kramer Van Kirk Credit Strategies L.P. (KVKCS), a SEC registered investment adviser to CLO Funds. KVK Services LLC is the general partner of KVKCS. The sole members of KVK Services LLC are Thomas A. Kramer, Timothy Van Kirk and Public Pension Capital LLC ("PPC Capital"). Mr. Kramer and Mr. Van Kirk founded KVKCS in 2011 and serve as managers of KVK Services and executive officers of KVKCS. Perry Golkin also serves as an elected manager of KVK Services representing the interests of PPC Capital. Mr. Golkin controls the general partner of PPC Capital.

KVKGS was founded in 2015; however, as noted above, currently does not serve as an investment manager to any Fund.

#### Description of Advisory Services

KVKGS anticipates that its clients will be pooled investment vehicles that are CLOs. KVKGS intends to utilize experienced based, in-depth credit and industry analysis on both a macro and micro level to construct broadly diversified portfolios. KVKGS strives to construct portfolios which are highly diversified by industry and issuer and provide appropriate risk adjusted returns to investors. Using a proprietary technology platform, KVKGS's investment professionals will analyze, select and manage investment positions using the most current issuer and market information. The investment process will be centered on a focused and disciplined credit analysis framework that evaluates all aspects of a potential asset. KVKGS will employ a robust and highly disciplined approach to portfolio monitoring to ensure compliance with specific benchmarks and investment criteria.

#### Item 5 Fees and Compensation

##### Management Fees

As compensation for its investment advisory services, KVKGS may receive a Senior Investment Management Fee, a Subordinated Investment Management Fee and an Investment Manager Incentive Fee Amount based on a percentage of assets under management ("AUM"). Typically KVKGS will charge each CLO a Senior Investment Management Fee at a rate between .05 -

.20% per annum of the assets managed, and a Subordinated Management Fee at a rate between .30-.45% per annum of the client assets managed. The percentages may vary based on the type of Fund and the assets KVKGS manages for the Fund. KVKGS may also be entitled to an Investment Manager Incentive Fee Amount. Specific fee rates and the methodology for calculating these fees will be described in the investment management agreement and the relevant CLO offering documents which will be provided to prospective investors. KVKGS may elect in the future to waive or defer all or a portion of its Investment Management Fees. Typically, the Fund's Trustee bills the Fund quarterly in arrears as will be detailed in the relevant offering documents. Fees will be deducted by the Trustee from the Fund's assets and paid to KVKGS. The existence of an incentive or "performance fee" may incentivize KVKGS to manage a Fund's assets in a more aggressive manner and the existence of differing incentive fees among funds in the future may create a conflict of interest with respect to the allocation of investment opportunities among the Future funds managed by KVKGS. KVKGS has implemented a trade allocation policy that addresses this potential conflict of interest (See Item 6).

In accordance with the investment management agreement between KVKGS and its Client Funds and the indenture for each Fund, the Funds will generally reimburse KVKGS for certain services provided by KVKGS and for fees and expenses of third party service providers to the Funds. These additional fees may include, among other things, those pertaining to the establishment of the Fund, the Fund's trustee, collateral administrator, accountants, lawyers, rating agency, and regulators. Additionally, expenses associated with financial statements, the acquisition, holding, settlement and disposition of the assets may also be borne by the Funds. A discussion of brokerage fees paid by the Funds can be found at Item 12 of this Brochure.

#### **Item 6 Performance Fees and Side by Side Management**

As noted in Item 5, KVKGS may receive an incentive fee from a Fund under its management. While KVKGS does not currently manage a Fund, conflicts may arise in the management of future funds as KVKGS may have an incentive to favor funds for which the attainment of the incentive is more likely. Additionally, conflicts may arise with respect to the allocation of loan purchases among the Funds KVKGS manages as well as those Funds managed by KVKCS its related investment adviser to the extent that certain Funds have performance fees while others do not. KVKGS has a fiduciary responsibility to act in each Fund's best interest regardless of their compensation. Both KVKGS' and KVKCS' compliance policies and procedures are designed to ensure that one Fund is not unduly favored over another with respect to both potential compensation and the allocation of opportunities. In determining allocations of investment opportunities among Funds, KVKGS will consider all pertinent information with respect to the asset being purchased compared to investment guidelines and parameters of each Fund. Each asset opportunity will be evaluated independently against, among other factors, a Fund's available cash, industry and individual asset concentration limits and diversity requirements.

When possible within these parameters, KVKGS will endeavor to allocate proportionally among Funds when an asset is equally appropriate for more than one Fund. However, when this is not possible due to the size of the opportunity, KVKGS may prioritize the allocation amount first to the Fund whose investment parameters are best matched to the specific characteristics of the asset and second to a Fund which have the most available capital to invest. KVKGS may also take into consideration the age of the particular Fund, whether it is “ramping” a warehouse for a new Fund, and differences in indenture restrictions. KVKGS’ overall objective is to ensure that over time, all Funds receive a proportional share of Fund appropriate opportunities.

KVKGS may hold an interest in each Fund as required by the fourth Capital Requirements Directive 2013/36/EU, including any related regulations (“CRD IV”) and the credit risk retention requirements of section 15G of the Securities Exchange Act of 1934. (“U.S. Risk Retention Rules.”). This may create a conflict of interest with respect to allocation of interests between Funds managed by KVKGS and KVKCS; however, KVKGS believes its policies and procedures described above are sufficiently designed to prevent such conflict from occurring.

#### **Item 7 Types of Clients**

KVKGS currently has no clients. In the future, KVKGS expects that all of its clients will be CLO Funds that are established and structured to comply with CRD IV and the U.S. Risk Retention Rules. Each Fund will be structured separately and may require that KVKGS retain different levels of interest in each Fund to comply with such retention regulations; however, they will operate similarly in that each Fund will be owned by a group of investors who assume a certain percentage of equity interest in the Fund with another group of debt investors providing the remaining capital.

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

##### **Analyses and Investment Strategies**

KVKGS will focus on creating high quality, well diversified loan portfolios for its Funds that maximize market yield opportunities while minimizing the impact of any single credit event in order to provide appropriate risk adjusted returns to its Clients. KVKGS will invest predominantly in senior secured floating rate leveraged loans made to corporate and other business entities. KVKGS carefully scrutinizes all potential investments through an in-depth analysis on both a macro and micro level, taking into consideration both the quality of an individual asset as well as its fit within a broadly diversified portfolio. In constructing its portfolios, KVKGS will focus on companies with historically stable cash flows, liquidity and access to capital. Specifically, KVKGS’ analysis of potential investments includes industry and company fundamentals, financial risk considerations, transaction structure and source, stress sensitivity, relative value and risk adjusted return analyses. All investments will have specific benchmarks assigned for the particular company and industry. Benchmarks may include

minimum EBITDA, free cash flow, core revenue growth and other industry metrics. KVKGS' portfolios are highly diversified by both industry and by issuer.

KVKGS will employ a robust and highly disciplined approach to portfolio monitoring to ensure compliance with specific benchmarks, indenture restrictions and investment criteria. Using a proprietary technology platform, KVKGS' investment professionals will manage investment positions using the most current issuer and market information. KVKGS will make hold/sell decisions based on a number of factors regarding the asset which may include; the visibility, clarity and transparency of the information on the issuer, current market price, issuer's overall industry/market position, senior and total leverage versus enterprise value and the Issuer's liquidity position.

### Risks

The following is a summary of some of the material risks associated with the investment strategy KVK will employ on behalf of its Funds. This summary does not attempt to describe all of the potential risks associated with each Fund; instead the offering memorandum will contain a more complete description of the risks associated with a Fund investment. Therefore, this summary of risks is qualified entirely by the disclosures to be made in the offering memorandum of each Fund.

All investment in securities involves the risk of loss. Structured investment products like the loans that will make up the Funds are complex instruments, typically involve a high degree of risk and are intended for sale to only sophisticated investors. The material risk of investing in the Funds generally relates to the underlying loans and other investments (if any) held by the Funds. Other risks will include:

**Credit Analysis** - KVKGS will employ a rigorous credit analysis prior to investing in loans for each Fund. However, risks with respect to their analysis include the unpredictability of the general economic, financial, industry and issuer specific conditions.

**Limited Liquidity**- The loans invested in by KVKGS will not trade on an organized exchange but rather by banks and other counterparties and therefore will not be as easily purchased and sold as publicly traded securities. This risk may be heightened in times of economic downturn or in response to a specific economic event. Trading in loans is subject to delays due to their unique nature and transfer may require significant additional documentation as well as the consent of the agent bank offering the loan or the underlying obligor. The investments in a Fund are designed for long term investors and should not be considered a vehicle for short term trading.

**High Leverage**- The Funds will be highly leveraged and this may result in situations where the interest expense due is greater than interest income collected. The use of leverage can magnify the effects of deterioration in the performance of the investments. The more subordinate the investor, the greater risk of non-payment.

Credit- A borrower may not make required principal or interest payment under its borrowing terms.

Interest rate and prepayment- Companies are likely to prepay their outstanding loans during periods of declining interest rates. Proceeds received from prepayment may be reinvested in a lower yielding investment.

Non-investment grade investments - Non-investment grade loans will have greater credit and liquidity risk than investment grade obligations and are more likely to be impaired during periods of economic downturn.

Subordination – Some of the loans invested in may be subordinated to the claims of other loans or senior lenders. Cash flows to senior claims may impact the ability to pay subordinated loan holders.

Pricing - Prices of the investments are volatile and will fluctuate due to a variety of factors including changes in interest rates, credit spreads, general economic and financial market conditions as well as international and domestic political events.

Defaults - The loans purchased for the Funds will generally be secured by collateral; however a Fund may be exposed to losses resulting from defaults.

Risk Retention Rules – The Funds will endeavor to meet all the European Union and U.S. regulatory requirements especially with respect to the CRD IV and the U.S. Risk Retention Rules. There is a risk that KVKGS may not be able to sustain the capital requirements set forth in both the CRD IV and the U.S. Risk Retention Rules and fall out of compliance with these regulations.

Additional risk factors will be set out in detail in the offering documents for the Funds.

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

KVKGS has no disciplinary information to report.

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

KVKGS's parent and related registered investment adviser, KVKCS, has formed a strategic partnership with PPC Capital, a private fund advised by PPC Enterprises LLC. PPC Enterprises is a New York-based private equity firm and an SEC registered investment adviser (PPC Capital and PPC Enterprises are collectively referred to as "PPC"). KVKGS and KVKCS are under common control with PPC. KVKGS does not believe its relationship with PPC Capital or PPC

Enterprises creates any current conflicts of interest. KVKGS will endeavor to address any conflicts of interest that may arise as a result of its relationship with PPC in a manner that ensures clients are always treated fairly and equitably. Additionally, KVKGS maintains relationships with certain banks and other institutions with respect to the purchase and sale of loans for the Funds. KVKGS may have an incentive to engage in transitions with these institutions if they refer potential investors to the Funds. However, as part of its overall investment analysis, KVKGS considers the source of potential investments and would endeavor to mitigate any potential conflict that may arise in such relationships and shall act in good faith and in accordance with all applicable agreements and offering documents to resolve such conflicts fairly and equitably.

KVKGS is wholly owned by KVKCS, which is also an SEC registered investment adviser that provides advisory services to CLOs. KVKGS and KVKCS are currently staffed by the same personnel. KVKCS, however, does not provide advisory services to CLOs that are structured to comply with the European Union's regulatory requirements, nor does it expect to. Nevertheless, KVKGS recognizes that conflicts can arise as a result of its affiliation with KVKCS, including with respect to allocating investment opportunities. As discussed in Items 6 and 12, KVKGS has adopted a Policy for Allocation of Investment Opportunities that is designed to prevent an account from being unduly favored over another with respect to both potential compensation and the allocation of opportunities. KVKGS does not expect to engage in other activities beyond the management of Funds.

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

KVKGS maintains a Code of Ethics (the "Code") for all employees pursuant to Rule 204A-1 of the Investment Adviser's Act of 1940. The purpose of the Code is to ensure that high levels of legal and ethical standards are maintained by all employees and potential conflicts of interest are addressed and resolved.

Under the Code, all employees are deemed to be access persons and required to provide certain personal securities transaction reports to KVKGS' compliance area. Access persons also must obtain the pre-approval of the compliance area before entering into trades involving initial public offerings or private placements. All employee 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. Employees will be required to keep information concerning the purchase and sale of loans and financial circumstances of any Funds confidential. KVKGS maintains a list of all companies from whom it has received financial or other material information. This list of companies (Restricted List) is updated and available to all employees. The Code contains general prohibitions on the use of this information and any other material,



non-public information in the possession of employees. Certain employee brokerage accounts are monitored for any activity with companies on the Restricted List.

A copy of the Code is available to any prospective Fund client upon request.

#### **Item 12 Brokerage Practices**

KVKGS will trade loans on behalf of Funds in both primary and secondary markets. Typically, KVKGS will access primary markets through large commercial and investment banks known as “Agent Banks” who are normally responsible for the syndication of the loan. KVKGS does not pay commissions on these trades but instead generally pays a bid/ask spread on the loan.

A secondary market transaction involves an existing holder of a loan selling its position, in full or part, to another institution. These transactions usually occur through a trading counterparty whose function is to bring buyers and sellers together and also earns a return on the bid/ask spread on the loan.

KVKGS may place purchase loans or other investment instruments on an aggregate basis for more than one Fund. KVKGS recognizes that conflicts may arise due to varying client account characteristics and client fee arrangements. KVKGS has adopted a Policy for Allocation of Investment Opportunities that is designed to prevent an account from being unduly favored over another with respect to both potential compensation and the allocation of opportunities. See Item 6 for a discussion of the conflicts that may arise when all Funds do not pay KVKGS a performance fee and Item 10 for a discussion of potential conflicts that may arise from KVKGS’ affiliation with KVKCS.

KVKGS will have full discretionary authority to trade on behalf of the Funds and will therefore be obligated to obtain best execution for its client transactions. The SEC generally describes “best execution” as the duty to execute client securities transactions so that the client’s total costs or proceeds in each transaction are most favorable under the circumstances. The SEC has also stated that when seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution.

The factors KVKGS will consider in determining which broker-dealers to use include the price, financial condition of the broker-dealer, overall market conditions, expertise in the execution of trades, assignment fees if any, potential timing of execution and quality of market information provided. While KVKGS may, from time to time, receive market information or other research from broker-dealers with whom they transact, they currently do not have any “soft dollar” arrangements.

In the normal course of business, it is recognized that from time to time individual trades will require correction of trade details. If there is a Trade Error, defined as a settled trade in violation of guidelines or an erroneous transaction (i.e. buy vs. sell), the Trade Error must be resolved

promptly and fairly. The intent of the policy is to restore a client account to the appropriate financial position considering all relevant circumstances surrounding the error. Trade Errors may result in a loss to a client account and as noted above the intent of KVKGS will be to restore the client account to its original position. However, in some circumstances, a Trade Error may result in a financial gain. In those instances, KVKGS will direct the proceeds from the gain to the principal and interest accounts of the Client Accounts affected by the Trade Error based on the characterization of the income gained from the error.

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

On a daily basis KVKGS will review diverse sources of information with respect to the assets in a Fund and the composition of the Funds themselves. Specifically, KVK will review “real time” news alerts, rating agency actions and price changes for the assets in the Funds to assess implications to KVKGS’ sell/hold decisions. Senior management will also review fund performance and portfolio composition on a daily basis to ensure compliance with governing documents. In addition to KVKGS’ internal reviews, third party service providers such as trustees will independently review fund and advisory activities monthly to ensure further compliance with each Fund's governing documents. Further, an independent accounting firm will review distributions by the Funds. KVKGS will reconcile its own reports and accounting with those of the Trustee’s which in turn issues a monthly compliance report to KVKGS. The Trustee will be responsible for distribution of account statements and monthly and quarterly reports to investors. KVKGS reviews all reports prior to their distribution. KVKGS may also produce its own quarterly letter which it makes available to Fund investors via the Trustee and its secure website. This information would supplement any information provided by the Trustee.

On a daily basis KVKGS will review diverse sources of information with respect to the assets in a Fund and the composition of the Funds themselves. Specifically, KVKGS will review “real time” news alerts, rating agency actions and price changes for the assets in the Funds to assess implications to KVKGS’ sell/hold decisions. Senior management will also review fund performance and portfolio composition on a daily basis to ensure compliance with governing documents. In addition to KVKGS’ internal reviews, third party service providers such as trustees will independently review fund and advisory activities monthly to ensure further compliance with each Fund's governing documents. Further, an independent accounting firm will review distributions by the Funds. KVKGS will reconcile its own reports and accounting with those of the Trustee’s which in turn issues a monthly compliance report to KVKGS. The Trustee will be responsible for distribution of account statements and monthly and quarterly reports to investors. KVKGS reviews all reports prior to their distribution. KVKGS may also produce its own quarterly letter which it makes available to Fund investors via the Trustee and its secure website. This information would supplement any information provided by the Trustee.

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

KVKGS currently does not have any arrangements whereby they will receive an economic benefit from any person who is not a client for providing investment advice or advisory services to clients.

#### **Item 15 Custody**

KVKGS does not intend to maintain custody of the assets of the Fund it advises. All cash and securities owned by the Fund will be maintained with a Trustee and can only be used by the Fund in accordance with the Fund's governing and offering documents. As noted above, Fund investors will receive account statements directly from the Trustee. Investors should carefully review these account statements received from the Trustee and compare any reports with those received from KVKGS.

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

KVKGS intends to maintain discretionary authority with respect to the Funds it will manage in accordance with their governing and offering documents. KVKGS will enter into an Investment Management Agreement with a Fund which establishes this discretionary authority and outlines any limits on it. KVKGS' review of Fund assets and performance ensures that a Fund is managed in accordance with the agreement.

.

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

KVKGS does not expect to vote proxies that are subject to Rule 206(4)-6 of the Adviser's Act. However, it does consider votes on loan amendments, modifications and waivers to be similar to proxy voting. KVKGS' portfolio managers will have the authority to vote on such matters and will take into consideration all applicable and available information when making a decision. Generally, KVKGS will vote in favor of proposed amendments it believes are a necessary aspect of a business' operations and/or that KVK believes will maximize the value of the investment for each Fund.

You may obtain a copy of KVKGS' client securities voting policies and procedures by contacting KVKGS at 312-448-9766.

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

As of the date of this report and to the best of KVKGS' knowledge, no financial condition

exists that is reasonably likely to impair its ability to meet expected contractual commitments to any potential Funds.