

**Item 1 – Cover Page**

**ASIAN CENTURY QUEST CAPITAL, LLC**

**PART 2A of FORM ADV**

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March 25, 2013

This Brochure provides information about the qualifications and business practices of Asian Century Quest Capital, LLC (“ACQ” or the “Firm”). If you have any questions about the contents of this Brochure, please contact us at 212-328-9300.

ACQ is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provide you with information about which you determine to hire or retain an investment adviser.

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.

Additional information about ACQ is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

The Material Changes section of this Brochure will be updated annually when material changes occur since our last annual update.

The date of our last annual updating amendment was March 28, 2012.

### *Material Changes since the Last Annual Update*

There are no material changes to report since our last annual updating amendments.

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## **Item 4 – Advisory Business**

Founded in 2005 by Brian Kelly, ACQ is an investment management firm primarily focusing on investing in Asian equity markets.

ACQ is headquartered in New York City and has research offices in Tokyo, Japan and Hong Kong. ACQ is privately owned. Mr. Kelly, ACQ's Managing Partner, and his family, own 100% of the Firm.

As of December 31, 2012, ACQ managed on a discretionary basis approximately \$2.2 billion of regulatory assets under management. The Firm does not manage assets on a non-discretionary basis.

ACQ provides investment advisory services on a discretionary basis to private pooled investment vehicles. Currently, ACQ provides investment advisory services to Asian Century Quest Fund (QP) LP, Asian Century Quest Offshore Fund, Ltd., Asian Century Quest Institutional Equity Fund, Ltd., Asian Century Quest Smaller Companies Master Fund Ltd., Asian Century Quest Smaller Companies Fund, LP, Asian Century Quest Smaller Companies Offshore Fund, Ltd., ACQ Equity Income Master Fund, Ltd., ACQ Equity Income Fund, LP, and ACQ Equity Income Offshore Fund, Ltd. (collectively, the "Private Funds"). The term "client" as used herein refers to each of the Private Funds. Interests in the Private Funds are offered to institutional investors and other high net worth sophisticated investors.

The Firm does not tailor its advisory services or investment objectives or strategies to the requests or needs of individual Private Fund investors. Investors in the Private Funds are not permitted to restrict a Private Fund's investments. For more detailed information regarding each Private Fund, refer to the respective Private Fund's offering memorandum.

## **Item 5 – Fees and Compensation**

### *Asset-Based Compensation*

ACQ receives a monthly management fee based on a percentage of the Private Fund's assets (the "Management Fee"). The Management Fee is paid monthly in advance, based on the value of the Fund's assets as of the beginning of the first "Business Day" of each calendar month (a "Business Day" is any day on which banks are open in New York).

The specific manner in which Management Fees are charged by and paid to ACQ is established in each Private Fund's agreement with the Firm.

Details concerning applicable fees are set forth in the respective Private Fund's limited partnership agreements or private placement memoranda (together, the "PPMs").

In the event that a client account is terminated, Management Fees will be determined on a pro-rata basis through the date of termination.

In limited circumstances, the Management Fee may be waived or reduced for Fund investors that are employees of the Firm or for certain large or strategic investors.

#### *Performance-Based Compensation*

The Firm or an affiliate of the Firm may be entitled to certain performance-based compensation as more fully described in Item 6 below.

#### *Redemption Fees*

Investors in the Funds may redeem their interest in the Private Funds in accordance with the applicable redemption terms of the respective Private Fund's PPM. Under certain circumstances, investors in the Private Funds may pay a redemption fee to the Private Fund as outlined in the respective Private Fund's PPM.

#### *Other Fees and Expenses*

In addition to Management Fees and certain performance-based compensation, client accounts will also be subject to certain other expenses including legal, administration, audit and accounting expenses, interest on margin accounts and other indebtedness, borrowing charges on securities sold short, custodial fees, and any other expenses related to the purchase, sale or transmittal of Private Fund assets.

Item 12 further describes the factors that ACQ considers in selecting or recommending brokers for Private Funds' transactions and determining the reasonableness of their compensation.

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

#### *Performance-Based Fees*

ACQ's management arrangement with the Private Funds provides for the payment of an incentive fee to ACQ or an incentive allocation to an affiliate of ACQ (collectively, the "Incentive Allocation"). Generally, ACQ will receive an annual Incentive Allocation equal to a certain percentage of the net profits attributable to each client account (including

unrealized gains), if any, subject to a loss carry-forward provision. Incentive Allocations are assessed at the end of each fiscal year and as of any interim withdrawal of capital by an investor in the respective Private Fund.

Performance-based fee arrangements may create an incentive for ACQ 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 client accounts over other client accounts in the allocation of investment opportunities. ACQ has procedures designed and implemented to ensure that the Private Funds are treated fairly and equitably to prevent the inappropriate allocation of investment opportunities among the Private Funds.

Investors should review the respective Fund's PPM for detailed information with respect to the Incentive Allocation.

#### *Side-by-Side Management*

Certain of the Private Funds that are managed by ACQ may trade in the same securities on an aggregated basis. In such circumstances, each of the Private Funds will share transaction costs equally and receive securities at a total average price. In the event that the aggregated order is partially filled, the Firm will generally allocate the partially filled order pro rata to the Private Funds, including affiliated accounts. ACQ has policies and procedures in place to ensure appropriate allocation of trades across client accounts.

### **Item 7 – Types of Clients**

ACQ provides investment advisory services to the Private Funds.

Details concerning applicable fees, investment minimum amounts and suitability criteria are set forth in the respective Fund's PPM.

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

ACQ generally manages Private Funds' portfolios utilizing long/short and long-biased strategies focused primarily on the Asian equity markets. ACQ identifies investments through research-driven fundamental analysis. ACQ seeks to produce volatility of returns that are lower than those of the underlying markets in which investments are made by maintaining lower net country and industry exposure. ACQ relies on its investment team led by its chief investment officer's 20-plus-years of regional industry experience.

ACQ conducts bottom-up, fundamentally focused analysis of both long and short investment opportunities. ACQ's research includes a systematic review of the Private Funds' overall investment universe. The Firm attempts to identify and forecast key business drivers through the construction of detailed earnings models. In addition, the Firm evaluates its expectations relative to market consensus and seeks the greatest deviation between perceived and true prospects and maintains an appropriate respect for non-fundamental and macroeconomic factors that contribute to the Asian region's investment climate.

In seeking to validate its investment thesis, the Firm, among other activities, conducts extensive visits to potential portfolio companies, participates in conference calls with management and attends conferences and industry trade shows. ACQ intends to maintain frequent contact with third-party research analysts, consultants and advisors to monitor industry trends and emerging product cycles. The Firm also attempts to leverage its extensive capital market, political and corporate relationships throughout the region. In addition, ACQ utilizes the extensive experience of its investment team to differentiate the management quality of potential portfolio companies.

#### *Risk of Loss*

**Investing in securities involves risk of loss that investors in the Funds, should be prepared to bear.**

ACQ primarily invests in Asian equity securities. Accordingly, the Private Funds' portfolios can experience more rapid change in value than would be the case if ACQ were required to maintain wider diversification.

ACQ's investment strategies may be deemed to be highly speculative and is not intended as a complete investment program. It is designed only for sophisticated investors who are able to bear the economic risk of the loss of their investment and who have a limited need for liquidity in their investment.

The risk of loss described herein should not be considered to be an exhaustive list of all the risks which investors in the Private Funds should consider. Investors in the Private Funds should refer to the applicable PPM for additional information on risk factors and risk of loss.

### *Non-US Securities*

Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.

### *Emerging Markets*

Investing in emerging markets involves certain risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include political and economic instability; less liquidity and smaller capitalization of securities markets; inflation (including hyperinflation); high withholding taxes or limitations on repatriation of invested capital; differences in auditing and financial reporting standards; less extensive regulation of the securities markets, brokers and custodians; and less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors.

### *Special Situations*

The Private Funds may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. Risks associated with investing in special situations include, but are not limited to, the contemplated transaction may not be successful, will take considerable time or will result in the receipt of cash or a new security the value of which is less than the investment made by the Private Funds. Similarly, if an anticipated transaction does transpire, the Private Funds may sell their investments at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Private Funds may invest, there is a potential risk of loss by the Private Funds of their entire investment in such companies.

### *Leverage*

ACQ may use leverage in managing the Private Funds' portfolios. Leverage may be used (1) to manage short term cash flows; and (2) to enhance the returns of the Private Funds.



The use of leverage results in the Private Funds controlling substantially more assets than the Private Funds have equity. Leverage increases the Funds' returns if the Private Funds earn a greater return on investments purchased with borrowed funds than the Private Funds' cost of borrowing such funds. However, the use of leverage exposes the Private Funds to additional levels of risk, including, but not limited to, (i) greater losses from investments than would otherwise have been the case had the Private Fund not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Private Fund's cost of borrowing such funds. In the event of a sudden, precipitous drop in value of the Private Fund's assets, the Private Fund might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying its losses.

#### *Short Sales*

ACQ's investment program may include a significant amount of short selling by the Private Funds. Short selling transactions expose the Private Funds to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without limitation. There is the risk that the securities borrowed by the Private Funds in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the Private Fund might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

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

We do not believe that there have been any legal or disciplinary events that are material to ACQ's advisory business.

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

As discussed in Item 4, ACQ serves as investment manager to the Private Funds. In addition, Asian Century Quest (GP), LLC, an affiliate of the Firm, acts as general partner to Asian Century Quest (QP), LP, Asian Century Quest Smaller Companies Fund, LP and ACQ Equity Income Fund, LP.

## Item 11 – Code of Ethics

ACQ has adopted a Code of Ethics designed to address and prevent potential conflicts of interest as required under Rule 204A-1 of the Investment Advisers Act. The Code of Ethics describes ACQ's high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes, among other items, provisions relating to the confidentiality of client information, prohibition on insider trading, prohibition of spreading rumors, restrictions on the acceptance of extravagant gifts and entertainment, the reporting of certain gifts and business entertainment, and personal securities trading procedures. All supervised persons at the Firm receive training with respect to the Code of Ethics and must acknowledge its terms annually. A copy of the Firm's Code of Ethics is available to investors or prospective investors in the Private Funds upon request.

Consistent with our policy of requiring employees of the Firm to avoid activities that may conflict with the interests of the Private Funds or interfere with making decisions in the best interests of the Private Funds, ACQ's supervised persons are generally prohibited from investing in publicly traded equity securities. ACQ's Chief Compliance Officer may grant exceptions to this prohibition in certain limited circumstances. Under the Code of Ethics certain classes of securities and transactions have been designated as exempt securities or transactions based upon a determination that these would not interfere with the best interests of the Private Funds, including investments in exchange traded funds, registered investment companies, fixed income securities and certain other securities. Employee trading is monitored by the Chief Compliance Officer to reasonably detect and prevent conflicts of interest between ACQ and the Private Funds.

Among other requirements, the Code of Ethics requires supervised persons to:

- Submit to the Chief Compliance Officer ("CCO") an initial and an annual report listing their securities holdings and a quarterly report of transactions;
- Provide duplicate copies of account statements to the CCO for review;
- Not invest in IPOs;
- Obtain approval from the CCO prior to investing in Private Placements (limited offerings);
- Comply with the federal securities laws;
- Certify that they have read and understand the Code of Ethics;
- Report any violations of the Code of Ethics to the CCO;
- Not trade either in their personal accounts or on behalf of the Private Funds on the basis of material non-public information; and
- Not inappropriately use their position for a personal benefit.

Employees who violate the Code of Ethics and the Firm's Compliance Manual are subject to disciplinary action including, but not limited to, written warnings, fines and termination of employment.

ACQ, its officers, members, employees and affiliates may from time to time have an ownership interest in one or more of the Private Funds. Investments by these individuals or their family members may not be subject to the same fees otherwise charged to investors.

From time-to-time, various potential and actual conflicts of interest may arise from the investment advisory activities of the Firm, its employees and affiliates. The Firm, its employees and affiliates may give advice to, or take action for, one Private Fund that differs from, conflicts with or is adverse to advice given or action taken for other Private Funds. These activities may adversely affect the prices and availability of other securities held by or potentially considered for one or more Private Funds. ACQ has policies and procedures in place to mitigate conflicts of interest with respect to investment opportunities in a manner which it deems fair and equitable to the Private Funds, under the prevailing facts and circumstances.

## **Item 12 – Brokerage Practices**

ACQ has full authority to select brokers to effect transactions on behalf of the Private Funds. ACQ seeks best execution when selecting broker. "Best execution" does not mean effecting transactions at the lowest possible commission rate, transaction costs or best price, but includes a number of factors mentioned herein.

### *Broker Selection*

In selecting brokers (including electronic communications networks) to effect the Private Funds' transactions, ACQ seeks to obtain best execution under the circumstances, taking into consideration, among other factors, the brokers':

- ability to effect prompt and reliable executions at favorable prices;
- operational efficiency with which transactions are effected taking into account the size of order and difficulty of execution;
- financial strength;
- integrity and stability;

- commitment of capital to facilitate transactions;
- quality, comprehensiveness and frequency of available research services considered to be of value; and
- Competitiveness of commission rates and dealer spreads in comparison with other broker-dealers.

ACQ is not required to weigh any of these factors equally.

The Private Funds' transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions than would be the case for more routine services.

ACQ regularly evaluates the execution performance of brokers executing transactions for the Private Funds.

#### *Research and Brokerage Services*

ACQ obtains proprietary and third-party research services or products in connection with the Private Funds' securities transactions ("Soft Dollars").

As is customary in the industry, brokers may provide their own proprietary research to investment advisers, including ACQ. Generally, commissions paid to these brokers to execute transactions include the cost to receive their proprietary research and other brokerage services. In addition, ACQ may enter into "commission sharing arrangements" with certain executing brokers whereby ACQ will instruct these brokers to pay for research products and related services provided by other third parties. The Private Funds that generate the commission credits used to purchase such research products and services may not necessarily, in any particular instance, be the direct or indirect beneficiaries of the research services provided. The Soft Dollar benefits derived may not be proportional to the costs incurred by any particular Private Fund. Because the Private Funds share certain investments in common, the Private Funds will share many of the Soft Dollar benefits derived from the Private Funds' trading.

Research services obtained with Soft Dollars may include written information and analyses concerning specific securities, companies or sectors, market, financial and economic studies and forecasts, statistics and pricing or appraisal services, and access to research analysts and company executives, along with analytical software, data and pricing services, newswire services and other products and services that provide ACQ with lawful and appropriate assistance in the performance of its investment decision-making responsibilities.

The use of Soft Dollars to obtain research related services and products may create a perceived conflict for ACQ because the Firm receives a benefit in that we do not have to produce or pay for such research ourselves. ACQ may have an incentive to select a broker based on our interest in receiving such research product or services rather than on the Private Funds' interest in receiving best execution. Senior personnel of the Firm including the Managing Partner, Sector Heads, Traders, the Chief Operating Officer and Chief Compliance Officer, meet periodically to evaluate the overall performance of brokers through whom transactions are executed, including the quality of execution, the research products and services these brokers may provide to the Firm, and information with respect to the trading activity placed with these brokers.

#### *Aggregation and Allocation*

ACQ, at its discretion, may aggregate orders in the same security for Private Funds transacting in that security and will generally allocate the securities or proceeds (and the related transaction expenses) on an average price basis in a manner that ensures equitable treatment among the Private Funds. ACQ believes that the aggregation of orders provides for more efficient trade execution.

#### *Client Referrals*

From time-to-time, brokers and their employees may refer potential Private Fund investors to ACQ. It is ACQ's policy not to direct transactions and commissions to these brokers as compensation for such referrals.

#### *Directed Brokerage*

ACQ does not accept Private Fund investors' instructions to effect Fund transactions with certain brokers.

#### *Trade Errors*

Although ACQ believes that our policies and procedures mitigate the likelihood of trade errors, occasional trade errors may occur. For example, trade errors may happen as a result of buying or selling the incorrect amount of securities, transactions were effected for the wrong Private Fund, the order was transacted in the wrong direction (e.g., shares were purchased when they should have been sold). When trade errors occur, the Firm's policy is to correct the error promptly. In the event that ACQ caused the error, any profit from a trade error will remain with the Private Fund, and any losses resulting from trade errors would be reimbursed by ACQ.

### *Principal and Agency Cross-Transactions*

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys securities from or sells securities to advisory clients. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated Private Fund and another client account.

Due to the amount invested in some of the Funds by ACQ and its employees, these Private Funds may be deemed to be “proprietary”. Such Private Funds are subject to the same allocation policies and procedure as other Private Funds in order to ensure equitable treatment.

An “agency cross transaction” is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. ACQ is neither registered as, nor is affiliated with, a broker-dealer.

### **Item 13 – Review of Accounts**

#### *Account Reviews*

Brian Kelly, Managing Partner of ACQ, monitors the Private Funds’ portfolios continuously to ensure consistency with ACQ’s investment processes and conformity with the Private Funds’ objectives and guidelines. Positions, potential investments, cash and other portfolio parameters are reviewed daily by ACQ’s investment team. In addition, Mr. Kelly and senior portfolio managers meet with ACQ’s research analysts to review positions in detail and to consider investment opportunities.

#### *Investor Reports*

ACQ provides investors in the Private Funds with periodic reports pursuant to the terms of each Private Fund’s PPM.

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

### *Client Referrals*

ACQ does not receive any economic benefits from non-clients in connection with the provision of investment advisory services. Nor does ACQ compensate any third parties for client referrals.

### *Other Compensation*

As previously disclosed, the Firm receives certain research or research related products and services from brokers through Soft Dollar arrangements.

## **Item 15 – Custody**

ACQ may be deemed to have constructive custody of certain client assets as a result of fee payments or the service of an affiliate of the Firm as general partner to certain of the Private Funds. Actual custody of the Private Funds' assets is at qualified custodians, not at ACQ. ACQ's use of prime brokers is reviewed periodically and may change without notice.

ACQ's policy is to have the Private Funds audited annually by an independent auditor registered with and subject to regular inspection by the Public Company Accounting Oversight Board, and to distribute copies of the audited financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") to the Private Funds' investors no later than 120 days after the end of the Private Funds' fiscal year.

In addition, upon the final liquidation of a Private Fund, the Firm will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP to all Private Fund investors promptly after completion of the audit.

## **Item 16 – Investment Discretion**

### *Investment Discretion*

Pursuant to investment management agreements with the Private Funds, ACQ is granted discretionary authority to make investment decisions and to select the brokers to effect these decisions and the commission rates to be paid. In all cases ACQ exercises its discretion in a manner consistent with the stated investment objectives for the particular Private Fund.



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

The Firm has implemented policies and procedures regarding the voting of proxies as required under Rule 206(4)-6 of the Investment Advisers Act.

The Firm's proxy voting policy is designed to ensure that proxies are voted in the best interest of our clients.

In voting proxies, ACQ generally votes in line with management's recommendations with respect to routine corporate housekeeping proposals, including election of directors. For certain non-routine matters, ACQ will determine whether a proposal is in the best interests of its clients and will take into account the party presenting such proposal and ACQ's opinion of such party, ACQ's assessment of the financial impact of the proposal to the company's profitability and long-term viability, and other pertinent factors and circumstances which may require consideration.

The Proxy Policy has been designed to assist ACQ in the identification of proxy voting conflicts of interest between ACQ and the Private Funds. In the event a material conflict of interest is identified, ACQ will determine whether voting in accordance with the guidelines set forth in the Proxy Policy are in the best interests of the Private Funds.

ACQ will provide, at no cost, a copy of its proxy voting policies and will provide clients with information regarding how proxies were voted upon request.

## **Item 18 – Financial Information**

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