



HQ Capital Private Equity LLC  
1290 Avenue of the Americas  
10th Floor  
New York, NY 10104  
(212) 863-2300

March 31, 2023

## FORM ADV PART 2A: Firm Brochure

This Brochure provides information about the qualifications and business practices of HQ Capital Private Equity LLC ("HQ Capital" or the "Firm"). If you have any questions about the contents of this Brochure, please contact HQ Capital's Chief Compliance Officer ("CCO"), Janine Diljohn at (212) 863-2300 or [janine.diljohn@hqcapital.com](mailto:janine.diljohn@hqcapital.com). 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.

HQ Capital is a registered investment adviser. Registration as an investment adviser does not imply that the Firm or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Additional information about HQ Capital Private Equity LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 | Material Changes

In 2021, the Harald Quandt family announced its intention to welcome a new strategic partner as an additional shareholder for HQ Capital. The objective was to find a trustworthy partner that would support the further development and independent operation of the private equity business.

An agreement to acquire a majority stake in HQ Capital was signed in April 2022 with the privately owned LFPI Group. LFPI is an independent asset manager with 300 employees that manage around EUR 14 billion of assets in alternative investments (real estate, private debt, and private equity), in France and other European countries, as well as North America. For more information, please visit <https://www.lfpi.fr/en>.

With LFPI, the Harald Quandt family found a majority shareholder for HQ Capital with corresponding values that will rely on the existing management of HQ Capital for stability and continuity of investments, as well as an additional shareholder to invest substantially in HQ Capital's programs. Alongside LFPI, the Harald Quandt family will continue to own a significant and long-term interest in HQ Capital.

The transaction was recently closed on March 24, 2023. Following the closing, HQ Capital's staff, systems, and services remain the same. Marc Brugger assumed the position of CEO/CFO as of March 27, 2023.

## Item 3 | Table of Contents

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

## Item 4 | Advisory Business

HQ Capital Private Equity LLC was formally established in 2005 and is 100% owned by HQ Capital U.S. LLC. HQ Capital U.S. LLC is 100% owned by HQ Capital International L.P., which is 40% owned by the Harald Quandt family and 60% owned by the LFPI Group through HQ Capital GmbH & Co. KG (together with its subsidiaries, the “**HQ Capital Group**”).

HQ Capital is a specialized, privately held company investing exclusively in private equity and providing investment advisory services to pooled investment vehicles (i.e., private funds) (the “**Funds**”), and separate managed accounts for institutional investors. HQ Capital’s private equity Funds include diversified fund-of-funds, concentrated fund-of-funds, secondary funds, and co-investment funds. HQ Capital’s worldwide investor base consists of insurance companies, pension funds, corporations, endowments, foundations, high net worth individuals and family offices. HQ Capital limits its investment advice to private equity investments and considers the Funds and separate managed accounts to be its clients (“**Clients**”), as opposed to the investors in the Funds. Unlike the advisory Clients, investors cannot impose restrictions on investing in securities or in certain types of securities.

HQ Capital’s advisory services primarily include identification of underlying private fund managers and recommendation of securities and investments in existing relationship and non-relationship limited partnerships and operating companies. The underlying investments of the Funds consist primarily of small- and mid-cap buyout and growth equity investments in the United States, Europe, and Asia.

As of December 31, 2022, HQ Capital had regulatory assets under management (“**RAUM**”) of \$7.2 billion and managed a total of over \$9.4 billion in original commitments to the Funds and from the separate managed accounts. HQ Capital employs 82 personnel as of March 31, 2022, who support the private equity business within the HQ Capital Group. Of those, 19 perform investment advisory functions including research, and manage approximately \$4.0 billion RAUM on a discretionary basis and approximately \$3.3 billion RAUM on a non-discretionary basis.

## Item 5 | Fees and Compensation

For its investment advisory services related to the Funds, HQ Capital receives management fees at an annual rate generally ranging from 0.50% to 1.50% (“**Management Fees**”). These fees are typically paid on a quarterly basis. HQ Capital also receives accounting & administrative fees for certain private funds. Investors in the Funds are also subject to performance fees as described below. Fees charged to separate managed account Clients are negotiated with each Client based on the scope of services to be provided.

All Clients are also subject to expenses from financial institutions and other third parties such as tax compliance fees, audit fees, banking fees, custodial fees, tax preparation fees, legal expenses, and insurance. The disclosure under Item 12 contains additional information regarding brokerage and other transaction costs.

HQ Capital has entered into side letters with certain investors and/or Clients whereby it waives or reduces fees, agrees to provide greater levels of portfolio transparency, and/or include certain other clauses beneficial to the investor. For the current Funds, all side letter provisions granted to investors are disclosed to all limited partners after the final close of the Fund. Only the side letter provisions are disclosed, not the names of the investors. Any beneficial terms that are offered to one limited partner are also offered to all other limited partners that have the same or a higher commitment amount or have the same regulatory profile.

A full description of fees and expenses that may be charged to the private funds is available in each Fund’s respective offering documents.

## Item 6 | Performance-Based Fees and Side-By-Side Management

HQ Capital charges a performance-based fee to the majority of its advisory Clients. All performance fees imposed by HQ Capital are assessed in compliance with Rule 205-3 under the Investment Advisers Act of 1940, as amended. Performance fees or carried interest allocations, which generally range from 5% to 15% of net profits ("**Performance Fees**"), are generally subject to a hurdle rate. All fees for the Funds are disclosed in each Fund's offering documents, which are provided to all prospective investors.

While certain accounts managed by HQ Capital are subject to higher fees, potentially incentivizing HQ Capital to favor those accounts over others, HQ Capital aims to provide the same level of diligence and fairness in its advisory services to all Clients and does not allow the level of fees to affect its ultimate investment decisions. Investment opportunities are allocated amongst the Clients based on a pre-determined policy, which identifies the Clients and the order in which they will be allocated investments that are suitable for more than one Client based on their investment profiles.

## Item 7 | Types of Clients

As discussed in Item 4, and pursuant to the SEC's guidance, HQ Capital considers its Funds and separate managed accounts as its Clients. HQ Capital primarily acts as investment adviser to pooled investment vehicles and separate managed accounts for institutional clients. HQ Capital's global investor base consists of insurance companies, pension funds, corporations, endowments, foundations, high net worth individuals and family offices.

In general, the minimum investor commitment to a Fund ranges from \$1,000,000 to \$5,000,000 and typically around \$100,000,000 for managed account mandates, although HQ Capital may accept commitments of lesser amounts. The minimum commitment amounts of the Funds and separate managed accounts to underlying investments depend on the investment strategy of each Client.

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

### Methods of Analysis and Investment Strategies

HQ Capital primarily offers advice on investments in private equity funds and direct private equity co-investments. These investments primarily consist of small- and mid-cap growth equity and buyout investments in the United States, Europe, and Asia.

HQ Capital utilizes a fundamental method of security analysis with respect to underlying managers who manage the assets of its Clients. This analysis is generally based on contact with managers and historical performance. Other criteria considered in manager selection generally include a focused investment style, action-oriented decision-making, manager compensation tied to performance and personal commitment to the manager's own strategy.

In addition, HQ Capital uses both external and internal private equity databases that contain industry benchmarks as well as individual fund and company performances (tracked by internal databases).

Private equity investments are long-term oriented and illiquid investments. The investments made by underlying funds are made typically in non-public companies. Once the investment is made, the underlying fund works with the portfolio company's management to enhance the profitability of the company. The average investment holding period for a portfolio company in a Fund is approximately 5 years, while the life of

the Fund is approximately 10-12 years with the option of extension. A typical exit would be the sale to a strategic or financial buyer, or potentially into the public market.

## Risk of Loss

Investing in non-public companies involves the risk of loss. Investors must have the financial wherewithal and appropriate professional experience or advice to evaluate and bear the risks of an investment in the Funds. The Funds face significant investment risks in attempting to carry out their investment strategies. These include, but are not limited to, risks that the investments in the Funds' portfolios will decline in value. In making an investment decision, prospective investors must rely on their own examination of the Funds and the offering terms.

While not a comprehensive list of risk factors, the following should be considered, and investors are urged to consult their professional advisers before deciding to invest in the Funds.

### *Fund-of-Funds Structure*

As private equity fund-of-funds, the Funds are subject to certain risks that are inherent in investments in other private equity funds, as well as the risks inherent in their underlying portfolios of private equity investments. Risk of loss is affected by factors such as illiquidity of investments by the Funds and reliance on management of underlying funds by investment managers not controlled by HQ Capital. A fund-of-funds also involves two levels of management fees and administrative expenses, one at the fund-of-funds level and one at the underlying fund level.

### *Risks Inherent in Private Equity Fund Investments*

A successful program of investing in private equity funds is subject to risks that include: (i) the ability of the management of the underlying funds to select successful investment opportunities; (ii) general economic conditions; and (iii) the ability of the Funds and the underlying funds to liquidate their investments. There can be no assurance that the investments made by the underlying funds in which the Funds invest will result in rates of return to the Funds that are equal to or better than the average rate of return on other investments, and the Funds may not be successful in meeting their performance objectives.

### *Illiquidity of Investments by the Funds*

A limited market exists for the sale of the Fund's proposed investments in underlying funds and the transferability of such investments is generally restricted. The Funds may not be able to liquidate a particular interest in an underlying fund or directly held investment at a time and upon the terms it desires. Additionally, the timing of distributions from the underlying funds, if any, will likely be at their discretion and may not occur at a time that is preferable. Distributions from the underlying funds could be in the form of securities.

### *Reliance on Management of Underlying Funds*

HQ Capital is responsible for managing the assets of the Funds, which includes the formulation and implementation of investment policies and strategies. The Funds invest in underlying funds that are predominantly managed by investment managers who are not controlled by or related to HQ Capital and who select all investments made by the underlying funds. The Funds, therefore, will not have an active role in the day-to-day management of the underlying funds and will generally not have an opportunity to evaluate the specific investments made by the underlying funds. As a result, the returns of the Funds will depend on the performance of these unrelated investment managers and could be adversely affected by the unfavorable performance of a small number of them.

*Foreign Investments*

The Funds are expected to make investments in multiple countries and currencies, which can give rise to risks of loss associated with currency exchange rates, local economic and political risks, risk of adverse changes to tax matters, the imposition of foreign taxes on items of income and gain allocable to investors, and tax return filing requirements imposed on the Funds or their investors.

Strategies and risks related to the Funds are described in greater detail in each Fund's offering documents and this description is qualified in its entirety by those materials with respect to each Fund.

*Financial Institution Risk; Distress Events*

An investment in the Funds is subject to the risk that banks, brokers, hedging counterparties, lenders, or other custodians (each, a **"Financial Institution"**) of some or all of the Funds' assets fail to timely perform their obligations or experience insolvency, closure, receivership or other financial distress or difficulty (each, a **"Distress Event"**). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance or accounting irregularities. In the event a Financial Institution experiences a Distress Event, the Firm and/or the Funds may not be able to access deposits, borrowing facilities or other services, either permanently or for an extended period of time. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation (**"FDIC"**), in the case of banks, or the Securities Investor Protection Corporation (**"SIPC"**), in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of total loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose increased risk of loss. While in recent years governmental intervention has often resulted in additional protections for depositors and counterparties during Distress Events, there can be no assurance that such intervention will occur in a future Distress Event or that any such intervention undertaken will be successful or avoid the risks of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event has a potentially adverse effect on the ability of the Firm to manage the Funds and their investments and on the ability of the Firm and the Funds to maintain operations, which in each case could result in significant losses. Such losses have the potential to include a loss of funds and the inability of Funds to acquire or dispose of investments or acquire or dispose of such investments at prices that the Firm believes reflect the fair value of such investments. If a Distress Event leads to a loss of access to a Financial Institution's services, it is also possible that the Funds will incur additional expenses or delays in putting in place alternative arrangements or that such alternative arrangements will be less favorable than those formerly in place (with respect to economic terms, service levels, access to capital or otherwise). Although the Firm expects to exercise contractual remedies under agreements with Financial Institutions in the event of a Distress Event, there can be no assurance that such remedies will be successful or avoid losses or delays. The Funds are subject to similar risks if a Financial Institution utilized by investors in the Funds or by suppliers, vendors, service providers or other counterparties of the Funds becomes subject to a Distress Event, which could have a material adverse effect on the Funds.

A Financial Institution may require, as a condition to using its services (including lending services), that the Firm and/or the Funds maintain all or a set amount or percentage of their respective accounts or assets with the Financial Institution, which heightens the risks associated with a Distress Event with respect to such Financial Institution. Although the Firm seeks to do business with Financial Institutions that it believes are creditworthy and capable of fulfilling their obligations to the Funds, the Firm is under no obligation to use a minimum number of Financial Institutions with respect to any Fund or to maintain account balances at or below the relevant insured amounts.

## Item 9 | Disciplinary Information

Neither HQ Capital, its affiliates, its managing principals nor other persons involved in the management of the Firm have been subject to any disciplinary action, whether criminal, civil, or administrative, in any jurisdiction.

## Item 10 | Other Financial Industry Activities and Affiliations

HQ Capital provides investment advisory services to investment partnerships and other pooled investment vehicles for which it or an affiliate acts as general partner and/or investment adviser. The advisory Clients' structures typically include a carry vehicle, which is entitled to receive incentive allocation or carried interest applicable to such vehicle.

HQ Capital has non-U.S. affiliates engaged in similar business activities as HQ Capital outside the United States, which include providing investment management and research services to private equity clients outside the United States. Certain employees of HQ Capital serve on the advisory boards of funds in which Clients of HQ Capital are invested.

As of March 2023, HQ Capital has become an affiliate of the LFPI Group, a leading independent, multi-strategy alternative asset manager across Europe and North America. The LFPI Group is an active investor in private equity, private debt, real estate (direct investments and funds of funds), asset management, family office & wealth management for French clients.

The relationships described in response to this item result from HQ Capital's ownership structure and do not create a conflict of interest.

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

### Participation or Interest in Client Transactions

HQ Capital and its related persons may invest in private equity funds and buy and/or sell other securities for its Funds that it also recommends to its separate managed account Clients. HQ Capital and its related persons may also recommend to Clients trades in securities or investment products in which HQ Capital and its related persons have some financial interest. More specifically, HQ Capital and its related persons act as investment adviser and general partner to certain related investment partnerships and funds. HQ Capital may sell interests in such partnerships and funds to other advisory Clients as well as third parties.

The offering documents for such investments contain disclosures about, among other things, HQ Capital's duties as investment adviser to the partnerships and its role as general partner, its compensation, and the possibility of conflicts of interest. In all such cases the Clients' interests are always paramount.

Clients' and supervised persons investment activity are reviewed carefully and continuously to ascertain, among other things, whether any possible conflicts of interest are presented by such investments. For example, while HQ Capital, its supervised persons, and related persons may take positions in securities for their own accounts that are inconsistent with recommendations made to Clients, all private placements are required to be pre-cleared with Compliance prior to making such investments. If a conflict is determined to exist, it is resolved in favor of the Client.



## Code of Ethics and Personal Trading

HQ Capital has adopted a Code of Ethics (the “**Code**”) governing personal trading by its personnel, which is designed to promote the highest levels of ethical conduct among its supervised persons. The Code includes the following general principles: 1) the duty to always place the interests of Clients first, 2) the requirement to conduct personal securities transactions in such a manner as to avoid any actual or potential conflict of interest, 3) the fundamental standard that HQ Capital and its supervised persons exercise independent, unbiased judgment in the investment decision-making process.

The Code stipulates that supervised persons are not permitted to use their knowledge of proposed or actual recommendations or transactions to profit personally. The Code restricts the personal receipt of investment opportunities, perquisites, or gifts from persons doing or seeking business with HQ Capital that could call into question the supervised person’s independent judgment.

Supervised persons are also prohibited from sharing non-public personal information of Clients or investors without permission and unless necessary to complete a transaction on the Client’s or investor’s behalf. In addition, HQ Capital limits access to non-public personal information to those supervised persons that need access to such information to provide services to the Client or investor.

HQ Capital’s supervised persons are required to pre-clear non-public securities transactions and initial public offerings, and to report their personal securities transactions and holdings with the Firm’s Compliance Department.

The Code is qualified in its entirety in HQ Capital’s Compliance Manual. Clients can obtain a copy of the Compliance Manual & Code of Ethics by contacting Client Service at [clientservice@hqcapital.com](mailto:clientservice@hqcapital.com).

## Item 12 | Brokerage Practices

As HQ Capital manages private equity investments, 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 HQ Capital does not ordinarily select or recommend brokers for Clients. Clients of HQ Capital may, on occasion, receive securities as a result of a distribution in-kind from a private equity fund in which such Client is invested. For Fund Clients, HQ Capital will handle the disposing of such securities and may assist separate managed account Clients with the same, as needed.

In selecting a broker for any transaction, HQ Capital may consider several factors, including, for example, broker’s reputation, net price or spread, financial strength and stability, market access, efficiency of execution and error resolution, and the size of the transaction. HQ Capital is not obligated to obtain the lowest commission or best net price for a Client on any particular transaction.

HQ Capital monitors transaction results as orders are executed to evaluate the quality of execution provided by the various brokers and dealers that we use to determine that commission rates are competitive and otherwise to evaluate the reasonableness of the commission rates paid to those brokers and dealers considering all the factors described above.

## Item 13 | Review of Accounts

The investment portfolios of HQ Capital’s Funds and separate managed accounts are regularly reviewed by portfolio managers and members of HQ Capital’s Investment Committee on a formal and informal basis.

Portfolios are also reviewed by other HQ Capital personnel, including the investment, accounting, reporting, client service, and marketing teams, as needed to properly service the Clients' accounts.

HQ Capital provides unaudited financial reports on behalf of the Funds to investors on a quarterly basis. Other reports may also be provided as stipulated in individual advisory contracts or other agreements. In addition, certain large or strategic Clients or investors may (upon request) be provided with more detailed information as to their portfolio holdings. The Funds provide audited financial reports to investors on an annual basis.

## Item 14 | Client Referrals and Other Compensation

HQ Capital does not receive any economic benefit from non-Clients for providing investment advisory services to its Clients. HQ Capital has and will in the future make cash payments to third-parties who provide investor referrals to its Funds or assist with the acquisition of separate managed account Clients, in accordance with Rule 206(4)-3 of the Act.

## Item 15 | Custody

HQ Capital has custody over cash and securities for its Funds and certain separate managed accounts. All custodied cash is held with qualified custodians, however, investments in underlying private equity funds held by HQ Capital's Clients are privately offered, uncertificated securities that are not required to be held by a qualified custodian and are recorded on the books of the underlying fund in the name of the relevant Fund or separate managed account. On an annual basis, an independent public accountant audits the pooled investment vehicles that HQ Capital manages, and the audited financial statements are distributed to the investors in each pool. In certain advisory agreements, HQ Capital may be granted the authority to directly debit advisory fees and/or pay expenses in connection with accounts that HQ Capital advises.

## Item 16 | Investment Discretion

HQ Capital has discretionary authority to select the underlying funds or direct co-investments in which each Fund will invest. This authority, along with any limitations to this authority, is set forth in each Fund's offering document. Most of the separate managed accounts, however, are non-discretionary and require approval from the Client for each investment recommended by HQ Capital. HQ Capital generally has discretion to determine the amount invested with each underlying fund manager or in each direct co-investment, and to add or eliminate underlying fund managers or direct co-investments or rebalance the investments made among underlying fund managers or direct co-investments. These decisions are based primarily upon HQ Capital's evaluation of the performance of the underlying managers or direct co-investments held by each Client and their fit within each Client's portfolio.

## Item 17 | Voting Client Securities

HQ Capital has adopted a Corporate Action policy designed to monitor its proxy voting and corporate action decisions with respect to Client securities. HQ Capital aims to resolve all corporate actions in the best interests of its Clients. The policy also requires that HQ Capital identify and address conflicts of interest between its related persons and its Clients. If a material conflict of interest exists, HQ Capital will determine whether voting in accordance with the guidelines set forth in the policy is in the best interests of the Client or whether taking alternative action may be more appropriate. HQ Capital generally votes in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues

are implicated). Generally, HQ Capital will vote against proposals that make it more difficult to replace members of a board of directors. For all other proposals, HQ Capital will make a best effort attempt to determine whether a proposal is in the best interests of its Clients and consider the following factors, among others:

- (a) whether the proposal was recommended by management and HQ Capital's opinion of management;
- (b) whether the proposal acts to entrench existing management; and
- (c) whether the proposal fairly compensates management for past and future performance.

Clients can obtain a copy of the HQ Capital's Corporate Action policy and information about how HQ Capital voted its Clients' proxies by contacting Client Service at [clientservice@hqcapital.com](mailto:clientservice@hqcapital.com).

## Item 18 | Financial Information

HQ Capital has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients. Further, it has never been the subject of any bankruptcy proceeding.