



People To Know - Women's Corner

Newly Appointed CEO Leads Proctor To New Managers By Stephen Dalton



- Mona Aboelnaga Kanaan -

Mona Aboelnaga Kanaan, a co-founder and President and CEO of New York City-based Proctor Investment Managers shares with us her experience with emerging managers in this **Women's Corner**. Proctor, a strategic private equity investor in the asset management industry, concentrates on emerging managers by investing in and partnering with them to help develop growth.

Cofounder

Kanaan co-founded Proctor with James C. Coley II in January of 2006. As reported in this publication's November issue, Kanaan took over for Coley after he stepped down to pursue other interests in mid-October of 2007. The transition has been a smooth one for the firm because of Kanaan's prior experience and direct involvement. Previously, Kanaan was serving as President of Proctor but now has also taken on the title and responsibility of the CEO and President. She remarks of her new endeavors, "It has been an exciting progression for me as we continue to develop our business."

Kanaan is very familiar with the world of asset management, having started her career with Paine Webber in the Mitchell Hutchins asset management business before then going on to investment banking and private equity management.

"When we launched Proctor, I primarily focused on our strategic development, our investments and investment managers due to my background in private equity and asset management. I also sat on our board of directors and was active in the general management of the company. Since Jim's departure, I've been also focused on managing our sales expertise. That's been terrific for me as we continue to leverage off each side of the business to carry on the momentum we've built for ourselves," says Kanaan.

Not a Fund of Funds

After being questioned on the difference between Proctor and other manager of managers, Kanaan says, “Proctor is not a fund of funds, however similar to a fund of funds, you can view Proctor as an investor. We can provide other investors an access point to a number of high caliber emerging managers with great strategies. Our strategy is very different. A fund of funds is really an investment vehicle that invests in other funds. We are a strategic investor and we buy an equity stake in the manager. We actually become long term partners of that business. This is why we do so much homework on those businesses because unlike a fund of funds we can’t redeem our money. We are there for the long haul. Whether a manager is in or out of favor, we are their partner and we are either working with them to significantly grow or, just as importantly in volatile markets and downturns, we work with them closely to retain assets.”

Since Proctor’s founding in the beginning of 2006, the firm has invested in 4 emerging managers:

- **Avatar Associates-** a \$1.2 billion in AUM firm with a long and successful history in tactical allocation.
- **Alethia Research and Management-** an \$8 billion Santa Monica-based manager in large cap growth and value products with alternative and hedge fund strategies.
- **Explorer Alternative Management-** an emerging manager fund of hedge funds with \$110 million under management.
- **Conquest Capital Group-** a \$360 million NYC-based firm providing CTA, long volatility products and one of the first beta replication products for the managed futures space.

“There is a wide variety of strategies in the long only and hedge fund spaces. We are very aggressively pursuing additional strategies and we are confident that as we continue to grow, we will prove ourselves to be a great partner for emerging managers -- especially those managers who want to accelerate the growth of their businesses in a diversified manner across different institutional distribution channels,” remarks Kanaan.

Research

While searching for potential companies, there are two main things Proctor is looking for:

1. Ability to structure a good private equity deal- it is important that a company meets Proctor’s returns expectations.
2. Significant growth capability- Proctor is interested in companies that they can help grow through its strategic marketing expertise.

However, Proctor is also interested in complementary strategies and will not invest in firms that may compete with firms they are already invested in. Kanaan says, “We are true believers in the power and value of emerging managers. We typically invest in firms that have at least \$100 million under management and that have the capability to grow in the institutional marketing channels in the U.S. and abroad. Even with firms on the higher end of emerging, with 1 or 2 billion in AUM, we have been very influential in helping to catapult their business.”

Proctor is proactively looking to source emerging managers. As the firm has grown and continued to benefit from word of mouth, Proctor has been contacted by a large amount of emerging managers that would like to

grow further and would be interested in partnering. Kanaan attributes this success to the network they have built in the industry and the continued maturation of the industry in both the long only and hedge fund space.

Emerging Manager View

Perspectives on the future of the growing emerging manager space are optimistic for Kanaan. She believes these managers hold many advantages and cites studies showing the greatest returns can be captured early in a manager's development. This is because the manager is far more focused on single strategies and spends the greatest amount of time on asset management compared to a much larger business.

She adds that even the biggest U.S.-based consultants are working with emerging managers so they can bring in new ideas and new opportunities to their institutional investors. However, the larger flows of institutional funds trust their assets with mega firms. This causes these mega firms to grow massively. Thousands of emerging managers are then left out and struggle to gather assets. Kanaan says that this trend will continue as the markets stay volatile and cause investors to be nervous. These investors want the comfort of having a blue chip name in their portfolio.

The issue that Proctor is trying to solve then comes when asset managers lose business not because they don't manage assets well, but because they don't have the kind of resources to locate and service clients on a continuing basis.

She says, "That is where we step in and become a huge resource for emerging managers not only as a provider of capital for their business, and to grow their business, but also as a provider of institutional marketing capability. This not only diversifies their client basis, but services it on an ongoing basis."

Founding

The asset management industry is a good field to be in according to Kanaan. The opportunities you find in the investment space and the ability to scale up these businesses are certainly good margins and good business prospects in general. She says, "When we looked at becoming players in the industry, we really wanted to be owners. What we found though is that this is a pretty unique business. It's not capital starved, so it's unlike doing private equity or VC investment in other industries where there is such a great need for working capital."

"At the end of the day you can start an asset management business with a small amount of working capital. However, what you do need is assets to manage. We decided that in order to better our deal flow and quality of deals, we would

invest in and become partners in these management firms. We thought long and hard about our business and what the strategy should be. We decided to focus in on not just providing capital, but marketing expertise that is particularly well-suited for emerging managers."

Proctor has also seen that the mega firms not only manufacture product but also become marketing machines. The boutique investment managers tend to have great products and great focus but are not well-versed on the distribution side. According to Kanaan, Proctor was founded as a business which is a multi-boutique, which encourages the growth of emerging managers but gives them the kind of flexibility and independence that they thrive on. They have decided to approach their business as a strategic investor and ideally as a minority equity investor.

“Because this is a people business and such a unique industry, we feel pretty strongly that the managers we invest in should be very focused on growing the value of their companies -- so we want them to control the equity as well,” adds Kanaan.

Women in the Profession

Proctor’s new chief feels this is a fantastic industry for women. She says, “I think what’s really wonderful about the asset management industry is that it is such a meritocracy. In many areas of one’s career one can quantify the value they have added to a business. And women thrive on that kind of environment. I personally can vouch for other female colleagues who have really benefited from that kind of structure in a business. I certainly believe it’s a great place for women to join and thrive.”

“At the end of the day, business is very dependent on relationships and getting the story out on your products. Women in this business need to network within the industry and network amongst themselves in order to grow their capabilities to grow a business. That’s something we should strive for since so much of the business is relationship oriented.”

Kanaan concludes, “At Proctor we are very fortunate to have built momentum at a great time for this space. Emerging managers are in great demand. We are eager to source emerging managers, to vet them through our due diligence process, to work with them and build a better business proposition and communicate to the investor space the benefits of their strategies. This is a strategic capability which I believe will be more and more valuable to emerging managers as the industry matures.”