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Proctor/Conquest: Pushing the Beta Debate

By Christopher Faille, Senior Financial Correspondent
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NEW YORK (HedgeWorld.com)—Proctor Investment Managers LLC has acquired a 17.5% equity interest in Conquest Capital Group LLC, an alternative asset firm that specializes in managed futures, long-volatility and beta replication strategies.

That equity interest isn't just an investment, both sides said, but a strategic partnership. Proctor —which was launched with the backing of National Bank Financial of Canada in January 2006—provides capital, marketing, and management expertise to investment management firms.

"We believe that Conquest's hedge fund products will continue to push the debate on beta versus alpha performance in the alternative industry," said Proctor's chairman and chief executive, James C. Coley II. He praised Conquest's managed futures strategy as live validation of the beta approach.

Conquest's managing partner, Marc Malek, was equally enthusiastic. In a statement Thursday [June 28] he said that Proctor's "strong distribution and sales capability will enable us to concentrate on what has made us successful to date: conducting research, creating new products and developing solutions to the alpha -beta problem."

The "alpha -beta problem," much discussed not only among practitioners but in a body of scholarly literature, concerns customization of investor exposure to both market returns and manager skill, and the separation of those two issues Previous HedgeWorld Story.

Conquest and Proctor made their connection due to personal ties, Mr. Coley said in an interview. Proctor's president, Mona Aboelnaga Kanaan, "has known them [Conquest's executives] for a long period of time." Ms. Kanaan will join Conquest's management committee.

Before Proctor, and starting in 2002, Mr. Coley was at Overture Asset Managers LLC, also a New York-based firm. Before that, he worked on Wall Street for 18 years in fixed-income sales, much of it with Morgan Stanley, he said.

Conquest Capital was founded in 2001, and launched a managed futures index replication-based fund in 2004. In 2007, it has approximately $380 million in assets under management. It offers five investment vehicles, and boasts of a strong quantitative team with published work in the areas of volatility, alternative beta, and risk aversion.

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