



Engaged Capital launches with \$85M seed investment from Grosvenor Capital Management

Bailey McCann, Opalesque New York:

Engaged Capital, an activist investment firm focused on investing in small and mid-cap North American equities, announced a strategic partnership with Grosvenor Capital Management, one of the oldest and largest global alternative investment managers, with over \$22bn in assets under management. The Engaged deal is the second strategic partnership entered into by Grosvenor since it launched its current Emerging Manager program at the beginning of the year.

Engaged Capital was founded this month by Glenn W. Welling, a former Principal and Managing Director at Relational Investors. Engaged makes concentrated investments in undervalued public companies and through a constructive engagement process serves as the catalyst for strategic change and shareholder value creation. Welling has over 20 years of experience in activist investing and providing business advisory services to companies to help them increase shareholder value and will be bringing his team from Relational into the new fund.

Prior to his work at Relational, Welling ran the Buy-side Insights Group at Credit Suisse, where he helped many of the bank's largest clients ensure their decisions and actions created value for their shareholders. Before Credit Suisse, Welling was a partner at HOLT Value Associates, where he ran a similar business. He joined Relational in 2008, bringing with him some of the bankers from his team at Credit Suisse to help grow the firm's large-cap fund and also launch a mid-cap fund.

"At the end of 2011, we decided it was time to go out and build a new firm just focused on activism in small and mid-cap companies, using a more a more constructive approach to activist investing," says Welling in an interview with *Opalesque*. "We see a unique opportunity in the small to mid-cap market because the most successful activists are now managing \$6-12bn in AUM and can't focus on the \$500m-\$3bn market cap companies, where the returns are the highest." He explains that many of these companies are under covered by both

analysts and investors, creating a variety of market opportunities, "you see a lot of mispricing in this segment of the market and often these companies don't have the quality of business advisors and management experience of large cap companies so an activist can come in and provide real value advising them on ways to enhance value for all shareholders."

"I've been an advisor to companies for over 20 years, and smaller companies are structurally more simple, usually lack large bureaucracies and entrenched management teams." This, according to Welling, expedites the activist process and fosters change in a constructive way.

"You are not going to see us making a lot of public statements about our investments, however you can be sure we will be holding managements and boards accountable behind closed doors", Welling says.

The partnership with Grosvenor emerged after Welling spent most of this year speaking with a variety of seeding and institutional investing firms. "We had several conversations, but it was clear from day one that we were on the same page as Grosvenor in terms of values and investment philosophy," Welling explains.

He will bring his team from Relational into the new fund, making an investment staff of five and a back office staff of two including Andrew Bzura, former CFO of Expo Capital in Los Angeles. "We believe we have a best of breed front office investment process and we have focused on putting an institutional quality team in the back office as well," he says.

The fund itself will likely include a few companies from his prior portfolio, but the team has a number of new ideas they are working on as well. "Our investment process is focused on finding high quality companies, that are trading deep discounts to intrinsic value, where we understand why the company is trading at a discount and have strong conviction that we will be able to fundamentally add value for shareholders and the firm," he notes.

Full article link (subscription required):

http://www.opalesque.com/643518/Engaged_Capital_launches_with_seed_investment351.html