

## Cobblestone eyes launch of third fund in spring

By ANNE SAUNDERS

Looking to provide clients with a new option for private income-oriented investments, Cobblestone Capital Advisors LLC in Brighton decided to create its own investment vehicle three years ago.

The Cobblestone Private Investment Fund launched in January 2013 and closed in March 2016, raising more than \$25 million. It took time and due diligence to set up a diversified private investment fund involving both real estate and private debt, but those involved say the effort has proven worthwhile. The firm's partners launched a second, similar fund last fall and plan to start a third in early spring. They did not want to provide any specific details about the active funds.

"The public markets get all of the attention, but the majority of the economic activity is being done by private companies and private enterprises, whether real estate or otherwise, and that's too large a component to not have access to," managing partner John DiPasquale said.

Cobblestone has seven partners and a staff of 31 people. Founded 30 years ago, it now has \$1.6 billion in assets under management, predominantly from high net-worth families and some institutional investors, he said.

Among the goals in creating these private funds was the hope of generating better returns for clients who were able and willing to commit some of their money to a longer-term investment. Roughly 80 clients took advantage of the first offering,

set up as a limited partnership, and another 50 signed on for the fund that launched in November, formed as a limited liability company.

"With yields on traditional bonds going lower until a couple months ago, it was increasingly difficult to find sustainable sources of income in the public markets. There are much more meaningful income streams potentially to come off of private assets, particularly private real estate and private debt," said Jason Garlock, a partner and chief investment officer.

Further, many institutional investors are taking advantage of private investment opportunities on a larger scale.

"There's no reason why Yale and Harvard's endowments should have access to these types of investments that make superior returns and improve overall portfolio characteristics, but our clients can't," Garlock said.

With million-dollar-plus investment minimums, however, not every individual investor could get access, DiPasquale noted.

"By pooling client capital, we're giving them diversification and important access to institutional-quality deals, deals that are properly vetted," he said.

He also liked these vehicles as a risk management strategy.

"They tend to be less correlated to traditional public markets securities, so they help mitigate risk as well," DiPasquale said.

The process of picking what goes into a Cobblestone private investment fund, how-

ever, is laborious. Asking investors to tie up money for five or more years means the fundamentals of each investment included in the portfolio must be solid.

"It's not without risk," Garlock noted.

But the opportunity to get better returns in exchange for the illiquidity is there if it is done right, he said.

Garlock leads a five-member team of analysts that now oversees this effort, originally launched by the firm's senior partners.

"The commitment we made, both from a resources standpoint and from a time standpoint, and now the expertise that we've built internally would be very difficult to replicate," Garlock said.

It was not always an easy sell for the clients identified as potentially benefiting from the option.

"There was a lot of education that went with it about why it should be part of their portfolio," said Christopher Mooney, a partner and director of business development.

"Now that we have a track record, it's still not easy, but it's something that clients are looking for more of," he said.

Having started down this path, the diversified private investment fund is something the firm wants to continue to offer clients where appropriate.

"We view private investments, particularly income-oriented private investments as a crucial complement to a well-diversified, publicly traded portfolio. So it fits into a broader picture," DiPasquale said.

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