

# Emerging Manager *Monthly*

A Publication of Financial Investment News

The Trusted Source for Emerging Managers

June 2017

## Centerstone Offering Customized Equity Solutions To Institutions

Having hit the ground running with its two initial retail fund offerings, global multi-asset emerging manager Centerstone Investors is looking to bolster its institutional capital by offering customized equity solutions for potential clients.

CIO Abhay Deshpande founded the New York-based firm in January 2016 after serving as a portfolio manager at First Eagle Investment Management, where he oversaw the firm's global and overseas strategies comprising approximately \$100 billion in assets under management. The firm's founding was rooted in Deshpande's desire to return to the day-to-day investment operations and provide a global multi-asset strategy with equity-like returns.

"Starting over from scratch brings me back full circle to the origins of our approach. That's been very fun in a lot of ways—I don't mean that in a casual sense—I believe my ability to potentially generate returns has been enhanced by that flexibility," Deshpande said, noting that he wanted to get back to his roots in equity stocks at the smaller end of the capitalization spectrum as well as high-yield bonds.

In its first year-plus on the scene, Centerstone has been able to cultivate a strong showing in its two retail-focused mutual funds, the Centerstone Investors Fund and the Centerstone International Fund, which have combined over \$200 million, according to Deshpande. He added that that capital level includes a "significant, eight-figure amount from internal net worth."

While the two mutual funds have allowed for the firm to hit the ground running,



**Abhay Deshpande**

it is Centerstone's hope that in the long-term its client roster will be balanced between both retail and institutional clients, Deshpande said. Deshpande notes that multi-asset products don't hold the same appeal to institutional investors and the firm has focused on offering options that can be customized to individual clients, often with a focus on equity-specific portfolios.

"Retail funds tend to be for retail investors who are much more focused on risk management than you would have with an index fund," Deshpande said. "For our institutional clients, we recognize they would want to manage their own cash. We offer customized solutions for institutional investors that are derived from our global model."

The firm's investment team is headed by Deshpande and includes Managing Director and Trader Rafael Fernandez and Investment Analysts Zachary Dimmerman and James Hounsell. It is with this team that Centerstone produces distinct, value-oriented options for investors that should set the firm apart from its peers, according to Deshpande.

"The main thing is that since we're bottom-up in nature and very-much long-term oriented, the portfolios don't look like anything out there. They're very different

than the index. Anyone familiar with our strategy should understand our pattern of returns over time. Sometimes we'll be out of step and sometimes for a significant stretch of time. On the other hand, when the tide turns, we've tended to hold up a little bit better. It's that pattern that has led to the outsized returns with my old portfolios. You've got to accept the bad with the good."

In addition to a clean and efficient model that allows for the team to easily customize portfolios to a client's specifications, Centerstone also places a significant focus on collaboration and communication as part of the firm's bottom-up approach.

"Everything is shared within the investment team. All of our failures are wide open for us to see as well as our successes," Deshpande said. "I think it's important to have that collaborative atmosphere without a note of judgment on the members of the partnership. We can support a form of oversight, a buddy system, each of us looking over each other's shoulders for error. We're trying to reduce error."

However, at the end of the day, the buy-sell decision is left to Deshpande, who believes in having a single decision maker relying on an analyst team for much of the input rather than a joint decision making process.

In addition to the investment team, the firm's four managing partners: Philip San-topadre, who is responsible for operations

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and compliance, and Rob Cassata, Mike Furlong and Ashwin Paranandi, who are responsible for business development in separate regions, have all worked together with Deshpande for an average of twelve years.

Centerstone has been able to maintain a focus on its investment operations through outsourcing other facets of the business.

"The nice thing is that there are plenty of third party organizations that help with the operational parts of the business," Deshpande said. "We use one group to do fund accounting and administration. We have State Street as our custodian. High quality partners for us."

The 100% employee-owned firm has also

placed an emphasis on its structure, enabling the firm to reflect the partnerships it hopes to build and grow with its client-base.

"There is a path to ownership for everyone here," Deshpande said. "There's a difference in the way we set it up. We wanted to ultimately be completely aligned with our clients. Whether that's a pension plan or someone in a retail account, the best way to do that is to not have any conflicts from an ownership standpoint... That's defined in how we staffed the business."

Moving forward, Deshpande has noted the plan has begun the due diligence process with several gatekeepers on the institutional side. He added that while he has built his name through his years in the industry, many potential investors continue to want to "check the

box" on various items a newer manager must achieve in terms of factors such as firm track record.

Deshpande believes the firm will take on no more than \$10 billion in total assets, although he doesn't expect that issue to arise for some time, and will look to add personnel as needed.

As for right now, Deshpande is happy with the firm's progress, noting that he believes Centerstone will grow and will try to do so at a pace that makes sense for both the firm and its clients.

"So far so good," he said. "We're doing what we're supposed to be doing. We're raising money every day, but at a measured pace. We don't want to grow too rapidly."

The Centerstone Funds are new and have a limited history of operation. An investment in the Funds entails risk including possible loss of principal. There can be no assurance that the Funds will achieve their investment objective. In addition, the Adviser is newly formed and has not previously managed a mutual fund.

Domestic economic growth and market conditions, interest rate levels, and political events are among the factors affecting the securities markets in which the Funds invest.

Large-Cap Company Risk is the risk that established companies may be unable to respond quickly to new competitive challenges such as changes in consumer tastes or innovative smaller competitors. Investments in lesser-known, small and medium capitalization companies may be more vulnerable than larger, more established organizations.

In general, a rise in interest rates causes a decline in the value of fixed income securities owned by the Funds. The Funds may invest, directly or indirectly, in "junk bonds." Such securities are speculative investments that carry greater risks than higher quality debt securities.

Value investing involves buying stocks that are out of favor and/or undervalued in comparison to their peers or their prospects for growth. There is a risk that issuers and counterparties will not make payments on securities and other investments held by the Funds, resulting in losses to the Funds.

Investments in foreign securities could subject the Funds to greater risks including, currency fluctuation, economic conditions, and different governmental and accounting standards. Foreign common stocks and currency strategies will subject the Funds to currency trading risks that include market risk, credit risk and country risk. The Funds use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. There can be no assurance that the Funds hedging strategy will reduce risk or that hedging transactions will be either available or cost effective.

**Investors should carefully consider the investment objectives, risks, charges and expenses of the Centerstone Funds. This and other important information about the Funds are contained in the prospectus, which can be obtained by calling 1-877-314-9006. The prospectus should be read carefully before investing. The Centerstone Funds are distributed by Northern Lights Distributors, LLC, Member FINRA/SIPC. Centerstone Investors, LLC is not affiliated with Northern Lights Distributors, LLC.**

5438-NLD-06/23/2017



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