

**GETTING PERSONAL: Brookstone Partners Moves Into Asset Mgmt**

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NEW YORK (Dow Jones)--**Brookstone Partners** is launching an asset-management business, following in the footsteps of other private-equity firms that are diversifying as the leveraged-buyout business slows.

The New York-based private-equity firm specializes in acquiring companies or investing in what it calls "growth equity situations" in the middle market. **Brookstone Partners** Asset Management, its new, independently operated investment advisory group, will offer customized managed account programs, with Michael Toporek, a managing general partner and founder of **Brookstone Partners**, serving as chief investment officer.

There was strong demand for the managed accounts from Brookstone Partner's own private-equity investors, whose investment portfolios were struggling, Toporek said in an interview with Dow Jones Newswires. He acknowledged that private-equity business has slowed, and said the asset-management business will provide a steady new stream of fees.

"Realistically, over the past 12 to 18 months, we've done a couple of new platform transactions in our private-equity business," he said. Platform transactions consist of buying one company, then building it out with acquisitions.

Brookstone lately has focused mostly on add-on transactions, but that hasn't kept all of the firm's "intellectual horsepower" occupied, he said.

Toporek said Brookstone's investors were asking its advice and being "pitched all sorts of structured products." Toporek worked in that area years ago and is critical of how many products carry heavy fees and provide poor returns.

A major concern among investors is downside protection, and that's something that the new managed accounts are meant to offer, Toporek said. They will include a fixed-income program that focuses on high-grade corporate, government and municipal bonds; an equity program that seeks to track indices such as the Standard & Poor's 500, the MSCI Emerging Market or the MSCI Japanese, capping annual returns at 30% and limiting downside risk typically to 15% per year; and an alternative program including private equity, venture capital, mezzanine, real estate and hedge funds, among other investments, representing 5% to 20% of assets. The asset manager's balanced portfolio combines the three components.

**Brookstone Partners** Asset Management has \$70 million in assets, largely from those who have invested in **Brookstone Partners'** private-equity business and whose businesses were purchased by the private-equity firm. The asset manager plans to expand beyond that initial investor base with a target of \$200 million under management within 12 months, Toporek said. The minimum investment for something like its risk-controlled equity program is about \$500,000, he said, though he prefers closer to \$1 million. Breaking \$1 billion in assets under management is seen as an important milestone to attracting investments from institutional investors, such as endowments and pension funds, he said.

Perry Jacobson, a managing director at **Brookstone Partners**, responsible for managing B.P. Mezzanine Capital LLC, a capital mezzanine fund which primarily invests alongside **Brookstone Partners'** equity capital, will execute trades for the new firm. Jacobson spent 22 years as a specialist on the New York Stock Exchange, as a NYSE floor governor and member of the NYSE Market Performance Committee.

Brookstone will provide its investment advisory services through Partnervest Advisory Services LLC, a registered investment adviser. Fidelity Investment Services will provide custody, accounting and administrative services.

Toporek said he prefers to focus now on managed accounts, which offer clients transparency, liquidity, low cost and customization. He said he doesn't rule out launching mutual funds at some point.

Toporek founded Brookstone in 2003. He was a director in SG Cowen Corp.'s investment banking group from 2000 to 2002, and previously worked at Dillon, Read & Co. and its successor company, UBS Warburg, where he focused on mergers and acquisitions and financing for the industrial and transportation sectors.

He described the recent downturn as one of the most professionally challenging periods in his career. "You're sitting there telling people bad news all the time," he said. Whether informing a bank that the firm was breaching a covenant or and telling a portfolio company's chief executive to make plans for \$1 million in cost cuts, it's been difficult, Toporek said.

Still, **Brookstone Partners** has found that bad news is relative. The firm has broken "a covenant or two, which is not good," he said, but not as bad as what some others have faced. "Other guys can't make their payroll."

(Daisy Maxey is a Getting Personal columnist who writes about personal finance. She covers topics including hedge funds, annuities, closed-end funds and new trends in mutual funds, and can be reached at 201-938-4048 or at [daisy.maxey@dowjones.com](mailto:daisy.maxey@dowjones.com))

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