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## Asset drop means cuts for Shaker Investments

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Shaker Investments in Beachwood has moved into a smaller office and cut its staff as the firm's assets under management have dropped by about 30%, or \$158.3 million, during the past year. The firm, which invests primarily in small-cap growth stocks, reported assets under management of \$365.3 million as of April 30, according to data collected by Crain's Cleveland Business for a list of the region's largest local money managers. The firm as of April 30, 2005, reported assets under management of \$523.6 million. As the firm's assets under management have gotten smaller, so too has its office and work force. Last month, Shaker Investments moved into a 5,000-square-foot office at 3690 Orange Ave. in Beachwood, which is within sight of the firm's former 12,000-square-foot space in the Chagrin Highlands office park. "This is plenty of space for us," president Edward P. Hemmelgarn said. "We thought we would grow into it (the 12,000-square-foot location), but we didn't need to." Shaker's employment in Beachwood has dipped as well, to 13 workers from 17 or 18 people a year ago. Among those who have departed are Michael W. Donahoe and James R. Janetz, who served as chief financial officer and head of client services, respectively. The firm's downsizing comes after the 2003 departure of about 20 employees who followed David Webb, a former partner and hedge fund manager at Shaker, to Verus Investment Management LLC, a hedge fund and money management firm Mr. Webb started in Highland Hills. At the time, the departure left Shaker with 29 employees and was believed to have taken away a chunk of the firm's assets, though a Verus spokesman at the time declined to say how

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much money Verus had under management. Verus filed for voluntary Chapter 7 bankruptcy protection in December 2004 and has closed its Highland Hills office. Shaker's assets under management have been declining steadily since at least 2002, when the firm had \$2.3 billion under management. Crain's in April 2002 ranked the money manager as the No. 6 largest investment firm in Northeast Ohio in terms of assets under management. Most recently, Shaker ranked No. 18 according to Crain's research. While most of the firms on the Crain's ranking reported gains in assets under management during the past year, there were two — Cleveland conservative investment firms Boyd Watterson Asset Management LLC and Goode Investment Management Inc. — that reported declines. Neither firm, though, came near the 30% decline at Shaker. Boyd said its assets under management were down 7.6%, while Goode's decreased 1.4%. Mr. Hemmelgarn said the firm's drop in assets during the past year is "kind of reflective of the equity markets we're in." "More volatility has scared away investors," he said. The firm's decline is representative of the lackluster performance of small-cap growth stocks, which have suffered since 2001, according to Chicago-based Morningstar Inc. The stocks have recorded paltry returns of just 2.6% during the past five years, according to data from the research company. Investment firms that focus on small- and mid-cap growth are facing similar difficulties, said Azim Nakhlooda, CFO of Cedar Brook Financial Partners LLC, a money management firm in Pepper Pike. "It's a tough environment when you're an aggressive growth manager" like Shaker, he said. "When the markets are roaring, you're making a ton of money. When it's not, look out." Shaker, which has been in business for 15 years and also operates an office in Cherry Hill, N.J., is focusing its investment strategy on the technology and utility and gas sectors, as well as manufacturers, Mr. Hemmelgarn said. He said he is confident the firm's fortunes would improve as stock prices have come down far enough to provide for good investment opportunities. "There are more companies of value now," he said. The firm has no plans to close its doors, Mr. Hemmelgarn added. "We wouldn't have moved into a new office" if the firm was going out of business, he said.

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