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MAXED-OUT MONEY MANAGER PUTS BRAKES ON NEW BUSINESS

DAN SHINGLER

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The money management firm of Shaker Investments Inc. in Beachwood says it has enough money to manage for the time being, so it has taken the unusual step of temporarily closing its coffers to new accounts. To manage new money as successfully as the firm has done to date, Shaker Investments needs more people and more space, said president and chief investment officer Edward Hemmelgarn. That's why the firm has decided not to grow until it gets them. Shaker Investments plans to move at the end of the month into 3,700 square feet of office space in the Tower East building on Northfield Road in Shaker Heights. The move should ease the crowding at the firm's current offices in Beachwood's Commerce Park Square, where an eight-person staff is squeezed into 600 square feet. Despite the planned move, Mr. Hemmelgarn said it won't be until much later this year - he's still not sure precisely when - that Shaker Investments will have added research analysts to its staff in preparation of taking on new clients. Mr. Hemmelgarn said he built Shaker Investments with a structure that would facilitate the management of \$150 million. Now that he has reached that goal, it's time to come up with a plan to manage the next stage of the firm's development. 'Our plan, for now, is not to try to grow into one of the largest outfits, but to stay smaller,' Mr. Hemmelgarn said. 'Having a lot of assets is not valuable to your clients. It has to pull down performance.' Those assets have been piling up on Mr. Hemmelgarn lately. Just a year ago, the firm managed only \$41 million, said executive vice president David Webb. The high returns Shaker Investments has brought to investors have attracted funds

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quickly. 'It was a lot easier to get the last \$50 million than it was the first,' Mr. Webb said. Using an investment strategy aimed exclusively at common stocks, Shaker Investments' performance so far has been nothing short of excellent. As of last Dec. 31, the firm had a lifetime annualized return of 32.9% for the four years and three months of its existence. Last year, its investments posted a return of 60%. Through mid-February of this year, the firm recorded a 9.3% return. 'Those numbers are wonderful; they're excellent,' said Craig Lucas, a broker at the Cleveland office of Prudential Securities Inc. Mr. Lucas often works with clients who use money managers such as Shaker Investments. He said that while he has seen mutual funds close their doors to new investments - usually for reasons similar to those cited by Mr. Hemmelgarn - it's the first time he has seen a money manager take such an action. Although Mr. Lucas hasn't worked personally with Mr. Hemmelgarn's firm, he said he respected and understood Shaker Investments' decision to take a bit of a breather. 'I think it shows maturity on their part, rather than taking on growth for the sake of taking on growth,' Mr. Lucas said. 'It shows discipline.'

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