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Top hedge fund looks to expand traditional business

By Deborah Brewster
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One of the world's biggest hedge funds, is making a big push into traditional asset management to diversify its customer base – part of a growing trend towards the convergence of hedge funds with traditional money management.

D.E. Shaw is expected to announce today the launch of a new product aimed at institutional investors who want conventional money management, but with the ability to sell short up to a certain level.

Trey Beck, who is in charge of developing the institutional business for D.E. Shaw, said the group, which manages \$23bn in hedge fund strategies, had only about \$300m in traditional asset management but planned to increase this substantially and had just won three new mandates.

"We are in the [traditional] business to manage tens of billions of dollars, and I can envisage a time when D.E. Shaw will have traditional asset manage-

ment funds in excess of the hedge fund business," he said.

"In ten years' time it will be less important whether you are a hedge fund or a traditional manager, but whether you can generate alpha [above-benchmark returns]", he said.

Traditional management usually follows long-only investing strategies, and does not charge the 20 per cent performance fee that hedge funds do.

The traditional asset management arm, called D.E. Shaw Investment Management (Desim), has been operating for five years and has just begun a marketing push. Institutional investors such as pension funds and endowments usually require a five-year track record before they invest.

Mr Beck said Desim was now on the list of approved money managers at six institutional consultants.

This was important because 60 to 80 per cent of institutional money was channelled through consultants.

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