

JANA what's new

• Issue No.16

Post-retirement Strategies

In the last edition of our newsletter, we highlighted the increased attention that Post-retirement Strategies have received in recent times. The Cooper Review has focused on this segment of the market, and we have witnessed the development of a range of product offerings tailored for Pension members, including annuities and lifetime income guarantees.

JANA has come to the following broad conclusions with regards to Post-retirement Strategies:

- Post-retirement assets are expected to grow at a greater rate than pre-retirement assets over the next 20 years, particularly for industry super funds;
- As post-retirement assets increase as a proportion of total superannuation system assets over time, competition for members in or approaching retirement will increase; and
- Post-retirement offerings will need to take into consideration the various competing needs of retirees (such as a requirement for income, flexibility, downside protection and real returns above the cost of living).
- As a result, different members will require different investment products and facilities.
- All investment strategies ultimately result in a trade off between risk and return and the cost of many strategies that provide either significant downside protection or guaranteed income streams is a lower overall income in retirement.

These alternative strategies do not provide a 'silver bullet' for retirement savings and further research must be undertaken to obtain a deeper understanding of these competing products to ensure the best outcomes for members. In JANA's view, Funds should continually be asking the following question: "Are the Fund's current options sufficient in terms of range and services to meet members' needs and allow the Fund to compete in what is becoming a more competitive environment?"

In this edition of 'What's New' we provide a business update, give you insight into our research diary and provide an overview on ESG and Post-retirement Strategies. We also celebrate the tenure of our longest-serving employee, introduce you to senior consultant Jeremy Wilmot, along with our newest staff appointments.

Behind the Scenes



Ian Patrick

Our core research and client advisory activities are our ongoing dominant focus. However, over the last six months there have been a number of 'behind the scenes' activities at JANA which are important to share with you. We've undertaken a strategic review of our

business, engaged with a cross section of our client universe to elicit their views on JANA's service offering, and make changes to our organisational structure.

The future for JANA is both positive and challenging. The broad range of relationships of trust we have built up with our clients, our experienced team, and a backdrop of sustained superannuation industry growth all support investment in our capabilities and services. We also know that further consolidation of superannuation funds, the development of strong in-house investment capabilities at large investors, implementation of Stronger Super following the government's adoption of many of the recommendations of the Cooper Review, and increasing sophistication in investment markets will require JANA to be responsive to changing needs.

Our strategic review sought to develop an appropriate strategy and organisational structure to accommodate the next stage of JANA's evolution. Our aim is to enhance our leadership in capital markets and investment manager research, be unwavering in our client centric approach to delivering investment outcomes,

and do this within a culture that fosters staff growth, contentment and retention.

JANA has enjoyed stable growth in recent years and with assets under advice of \$170b it remains one of the leading asset consulting firms in Australia. In tandem with the growth of our business, JANA has increased its workforce considerably and now employs 64 staff of which 50 are experienced investment professionals.

The changes to our organisational structure will provide the framework for enhancing our service offering to clients and ensuring we are well placed to accommodate the changing needs of the industry. We are excited too about the opportunities that open up for our talented and committed staff. All clients will have been apprised of these developments by letter. However, if you wish to discuss the changes in more detail please contact me or your consulting team.

We recognise that key to success is maintaining a strong relationship and partnership with our clients, and ongoing feedback is paramount in helping us uphold standards and provide an enhanced service offering. We were very encouraged by the results of our recent client survey, which ranked JANA favourably. As always there is room for improvement and we will be working diligently on the recommendations to ensure that meet client needs going forward.

I trust the articles on Post-retirement Strategies and ESG, together with highlights from the JANA Research Diary, will be of interest to you.

Ian Patrick

Congratulations John Coombe

Congratulations to John Coombe, our Executive Director, who was recently nominated for the Global Pensions Decade of Distinction Award. John is JANA's longest serving employee, having joined the firm in 1988 and was among three other nominees who were recognised for having made a dramatic impact on the asset management industry over the past decade.



Did you know?

- **Global economic losses from natural and man-made disasters in 2010 totalled \$218 billion, more than three times the previous year's figure of \$68 billion.**

News Bites:

- Danielle Panucci became engaged to Rahul Bose in April.
- Our very own Cassandra Frost and Anthony Ballard became engaged in January.
- Rhonda Spagnol and husband Tom welcomed baby Oliver Samuel Bekiaris on 5th March 2011.
- Stewart Eager became engaged to Sarah Carter in March.
- Ashleigh Crittle and husband Jarrod welcomed a baby girl, Kaia Rose Dawson, on 1st February 2011.

In March, James McKinlay and Jeremy Yap travelled to eight cities in the US and Europe to meet with 32 fund managers, focusing on Fixed Interest markets. What they found was that at present, there is a stark contrast between the Europeans and Americans. The Europeans seemed determined to embark on fiscal austerity measures and restrictive monetary policy, whereas the Americans have been happy to stimulate their economy till now. Time will tell which is the better approach but certainly the capital markets are open and US companies and banks in particular are using this opportunity to refinance their debts and shore up their balance sheets.

Putting aside the cyclical differences between the two regions, they both share the same debt-laden structural story and the question of deleveraging is still in the background. It is now over two years since we looked over the edge of a depression and risk assets have rallied aggressively since that period. With so much repair having taken place and capital markets now open, equities are close in price to their pre-GFC levels. We remind investors that credit is higher in the capital structure and, while more risky than most government bonds, is more defensive than equities.

Michael Mulcahy and Duncan Smith also conducted overseas research during the quarter, spending nearly three weeks meeting global equity managers in Europe and the US. The general theme was that the economic recovery in the US had taken hold and that companies were in exceptionally good shape, with strong cashflows, moderate debt and high margins. The one area where there was some divergence was on the sustainability of margins. Companies have in general been able to produce high margins by reducing employment costs and interest costs. Some margin contraction can be expected, however the degree to which top line sale growth can offset this is in question.

As always we ask ourselves are we getting appropriately compensated for the risks? The most common active position we see in our portfolios today is a strong bias towards companies that have solid balance sheets and franchise-type businesses that should do relatively well in most economic conditions. History has normally demanded a solid premium to buy these types of businesses, but today these companies are trading in line with the broader market and not at a premium in many cases—a worthwhile position where heightened risk remains.

JANA's Environmental, Social and Governance (ESG) team is dedicated to supporting clients who wish to integrate ESG factors, or broader values based on organisational aspirations into their investment programme. Recent activity has included an extensive survey of the extent to which active Australian and New Zealand equities managers integrate Environmental, Social and Governance (ESG) factors into their investment processes.

The survey examined aspects such as the motivation for ESG integration, the ways in which ESG is incorporated into the stock selection process, how ESG decisions are implemented together with voting and engagement trends. JANA received data from a total of 79 respondents (85 per cent response rate) representing AU\$180 billion and NZ \$1.6 billion in funds under management.

New Additions



Angela Lovett

Angela Lovett: *Joined JANA in November 2010 (Melbourne).* Angela is a Personal Assistant and provides support to our Melbourne office.

Clinton Shelley: *Joined JANA in March 2011 (Melbourne).* Clinton is a Client Service Analyst and is part of JANA's Client Services Group. Clinton holds a Bachelor of Arts (Sociology & International Relations).



Clinton Shelley

Community Days

RIDBC

JANA Sydney's sixth annual community day was held at the Royal Institute for Deaf and Blind Children (RIDBC). RIDBC is Australia's oldest children's charity, being more than 150 years old. As part of Clean Up Australia Day, our staff assisted in RIDBC's Alice Betteridge School clean-up on Friday 4th March 2011.

We toiled under the hot sun, cleaning up the garden beds, raking leaves and weeding, as well as cleaning out the sports equipment room. Though we were feeling exhausted, our complaints were quickly silenced by the smiles of the school's students, who were very delighted that we were there to help them clean up their school.

Oxfam TRAILWALKER 2011

This month, JANA once again participated in Oxfam TRAILWALKER—a 100km challenge through outer-Melbourne, which is a major fundraiser supporting Oxfam's global aid program. The Jolly JANA Joggers finished in twelfth place, achieving a personal and team best time of 13 hours and 44 minutes and still smiling! Our fundraising spirits remained high throughout the lead-up and pleasingly, we are currently leading the Financial Services division in the fundraising stakes and sit within the top ten of approximately 700 teams. Fundraising continues through to the end of May and we are very confident we will raise over \$20,000 this year, bringing JANA's total over the last three years in which we have participated in the event to over \$60,000.

We would not have been able to achieve such success for Oxfam without the moral and financial support of our

clients, colleagues, family and friends. We sincerely thank you for your encouragement, good wishes, words of wisdom and financial contribution to our team's efforts.

Introducing Jeremy Wilmot

Jeremy has been at JANA for over three years and in that time, the world witnessed a great deal of market turmoil in the form of the Global Financial Crisis, making for a steep yet rewarding learning curve. Over the same period, Jeremy's personal life also changed dramatically, but unlike the GFC, these experiences have all been positive. He wed wife Penny in 2008 (the same lucky year that Hawthorn won the premiership), had his first daughter in 2009 and late last year welcomed his second daughter to the world. As one would imagine this has kept Jeremy busy when not at JANA, but has made life all the more enjoyable.

In between work and family life, Jeremy still manages to make time for his other passion: running. Previously content with a half or full marathon, since joining JANA, Jeremy has been introduced to the world of ultramarathons, namely the 100km Oxfam Trailwalker in which he recently participated. Hopefully 'mind over matter' continues to prevail in years to come when the wear and tear of such activities takes its inevitable toll on his body.

