

JANA

what'snew

• Issue No.2

Introducing our newest
Staff Appointments

Sina



Duncan



James



Michael

In this latest edition of 'What's New' we provide you with an overview of our 20th Annual Investment Conference in Melbourne and reflections from the latest overseas research trip. We also detail Arthur Roumeliotis' new role and our latest staff additions.

Sina Nguon Commenced in June 2007 (Melbourne) Sina is assisting with the operational and administrative aspects of JANA Implemented Consulting and Traditional Consulting. Sina holds an Advanced Diploma of Business (Banking and Finance) from Swinburne University of Technology and is completing a Bachelor of Business (Banking and Finance) at Victoria University of Technology.

Duncan Smith Commenced in September 2007 (Melbourne) Duncan has been appointed as Head of our Property Research Team and consultant for a number of Victorian-based funds. Duncan has a Bachelor of Business, a Graduate Diploma in Applied Finance and Investment, a Graduate Diploma in Financial Planning and is a CPA. Duncan is a Fellow of the Financial Services Institute of Australasia (FINSIA).

James McKinlay Commenced in October 2007 (Melbourne) James has been appointed

as Head of our Fixed Interest Research Team and consultant to a number of Victorian-based funds. James holds a Bachelor of Commerce degree with Honours in Economics and a Bachelor of Science degree.

Michael Mulcahy Commenced in October 2007 (Sydney) Michael is a member of the Global Equities Research Team and consultant for a number of NSW and Queensland-based funds. Michael holds a Bachelor of Commerce degree and a Master of Applied Finance degree. He is a Fellow of the Financial Services Institute of Australasia (FINSIA).

Teigan Hawkins Commenced in July 2007 (Melbourne) Teigan's main responsibility is reception for the Melbourne office, answering calls and queries. She also conducts various operations support throughout the office.

Reflections on
a Global Equity
Research Trip

– Ian Patrick and Cassandra Frost

Modern technology has its advantages and disadvantages. For investment managers it can mean that it is possible to manage money from any corner of the globe. One can enjoy the lifestyle benefits of living and working as an investment analyst in Denver, far from the madding New York crowds. However, this brings with it a requirement to research investment managers in some far flung places. Take Anchorage, Alaska for example, one of the 11 cities visited by Cassandra Frost and Ian Patrick



on a three week trip researching global equity managers in August and September.

Ian and Cassandra report that London was as bustling and expensive as ever. New immigrants to the London area number around 250,000 per annum, and this shows up in congestion all over – the Underground, hotel prices and the arduous Heathrow airport. It was interesting to note that there was some talk of rentals in Mayfair as well as certain investment professionals potentially coming to the market at cheaper rates after the hedge fund woes in July and August. In contrast to both London and Edinburgh, cities in the US appeared a little more subdued than 12 months ago. There seemed to be an air of uncertainty—in both economics and politics—which was evident in numerous facets of day-to-day and professional interactions.

Travelling to conduct research is invaluable from a number of perspectives. There is the obvious advantage of seeing an array of personnel of an investment manager "on their home turf". Observing individual organisational cultures is often important to the overall insights gained in researching an investment manager. Given

the market turmoil of July and August it was an interesting time to be talking to investment managers. Of particular note was the view that despite the heightened market volatility most managers did not perceive investment opportunities to have increased markedly. A focused research trip of this type also allows stronger relative comparisons. The differences between acceptable managers and outstanding managers, whether those are a consequence of culture, personnel, research insights or portfolio construction skills, are certainly brought to the fore through the range of meetings. There is frankly no substitute for regular and detailed overseas research.

JANA has conducted 12 overseas research trips involving 21 staff members to date in 2007.



New tiny additions

Our congratulations go to:

• Nicole Storey (Head of Business Development) gave birth to a baby boy on 27th July – James George Grimmond

• Rhonda Spagnol (Principal Consultant) gave birth to a baby girl on 20th September – Eva Scarlett Bekiaris

• Robert Talevski's (Investment Analyst) wife Linda gave birth to a baby boy on 21st September – James Alexander Talevski

Other Exciting news: Prashanthi Nadarajah (Investment Analyst) will be marrying Brian Bahari on 24th October 2007

Arthur Roumeliotis' New Role

JANA's Head of Quantitative Investments, Arthur Roumeliotis, has recently relocated to our Melbourne Office and assumed a number of key responsibilities which continue to see JANA's research efforts evolve – particularly within the important “quant” space.

Arthur joined us 12 months ago from Macquarie Bank where he was Head of Investments for MQ, the bank's single-strategy hedge-fund business. He brings a wealth of hands-on research and portfolio management experience with him having been a fund manager at MQ and also as Senior Portfolio Manager Equities at Barclays Global Investors 8 years ago.

For the last 12 months Arthur has been actively engaged in researching a wide range of hedge fund managers for JANA's numerous client portfolios. Further, he, along with a number of JANA analysts, has been extensively researching portfolio construction techniques, particularly in relation to the practical application of alpha/beta separation.

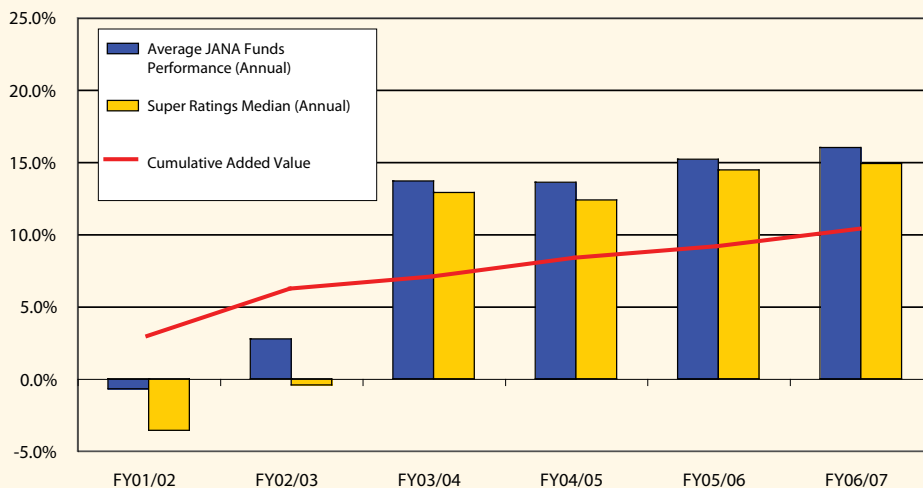
Arthur's new role in Melbourne will see him assume responsibilities as Head of our Absolute Return Research Team, a role well suited given his former roles, as well as continuing to research portfolio construction and portfolio risk management and further expanding his Head of Quantitative Investments role. “Good quantitative research is often more of an art than a science”, Arthur states. “In particular, rather than being used as simply a means to an end, quant is a valuable tool that supplements

JANA's existing depth of fundamental research which has been successfully used for the benefit of our clients since day one over 20 years ago”. Arthur is also involved in JANA's continuing investment in analytical systems and data which further improves JANA's research efforts more broadly.



JANA Funds' Performance

Presented by Ken Marshman at the 20th Annual Investment Conference 2007



Conference

The 20th Annual JANA Investment Conference was held on 13th September with more than 250 attendees. The Conference focused on the theme, ‘The Super Cycle – Investing for the Long Term’ which sought to address the question of whether the world economy is in a ‘super cycle’ of strong, coordinated economic growth or whether the current boom is an unsustainable ‘bubble’. The question was examined from a range of angles, including global equities, credit, emerging markets and resources, and how to identify bubbles. Some of the main observations from the excellent line-up of speakers included:

- Clive Gillmore of Mondrian Investment Partners observed that super cycles and bubbles can exist simultaneously, and bubbles often follow super cycles. While the ‘super cycle’ of China's industrialisation is likely to continue for some time yet, he expressed concern that earnings of energy, materials and financials stocks are particularly at risk given the recent exceptional performance of these sectors.
- John Chisholm of Acadian Asset Management reminded us that the globalisation of world economies and financial markets will result in more frequent cycles and bubbles.

- Our panel, comprising Joanne Warner of Colonial First State Global Asset Management, Stuart Rae of Bernstein Value Equities and Simon Marais of Orbis Investment Management (Australia), debated the resources sector. The panel's overall view was that production and supply constraints were likely to result in the resources boom being ‘stronger for longer’, but that the current levels of commodity prices are unsustainable on a longer-term timeframe.
- The emerging markets angle was tackled by Jonathan Asante of First State Investments, who, while providing an intriguing look at the long-term prospects from investing in stocks that will benefit from the growth in wealth of these countries, highlighted the risks and the need to be cautious.

The main message from the Conference discussion was that while the current period of strong global growth led by the emerging markets provides great long-term opportunities, investors need to be vigilant at sorting the ‘cycles’ from the ‘bubbles’ – that is, ensuring the ‘opportunities’ are fundamentally based and robust and not reliant on speculation or short-termism.