

# JANA a better alternative

innovation

flexibility

JANA

JANA Investment Advisers Pty Ltd  
ABN 97 006 717 568 · AFSL 230693  
A member of the NAB group of companies

## Who is JANA?

Established in 1987, JANA Investment Advisers Pty Ltd ('JANA') is one of Australia's most respected investment consulting firms, with a long history of identifying emerging investment managers and opportunities.

JANA's ability to research and implement alternative investment strategies has contributed to their competitive edge, and earned JANA a reputation as one of the most progressive firms in the industry.

Today, JANA advises on more than \$120 billion worth of investments on behalf of approximately 60 Australian institutions – its advice affecting the super of 4.5 million Australians via some of the country's largest industry and corporate super funds\*.

Traditionally only available to institutional investors, JANA's experience and expertise is now available to retail investors.

\* As at 30 June 2007

expertise  
research  
opportunities

### About JANA



- JANA Australian Share Long Short Trust – Best New Investment Product of the Year (Rainmaker Information June 2007)
- JANA ranked 1st for Global Manager research capability of Australian Investment Consultants (Global Pensions magazine November 2006)
- JANA's International Manager research ranked 1st for the third consecutive year (Peter Lee & Associates April 2006)
- Advises the top 7 multi-manager growth funds over rolling 5 year returns (Chant West December 2006)

# Alternative thinking

JANA's investment philosophy, unchanged since 1987, is based on the following beliefs:

- The single biggest determinant of a successful investment is the price you pay for it.
- Over the longer term, markets will tend to mean revert, making it possible to take advantage of short-term pricing discrepancies.
- It is possible to pick superior investment managers – the ability to select stocks is important.

Finding superior investment managers takes time, research, and the experience to look beyond past performance. JANA looks for managers with a disciplined investment approach, and the appropriate personnel to implement it.

With its ability to quickly respond to general industry developments, JANA can react to new opportunities that arise in the marketplace.

JANA does this research so you don't have to – constructing multi-manager portfolios specifically designed to deliver good performance in strong markets, and to help protect your capital when markets are down.

## Standing out from the crowd

To outperform the market, you need to be doing something different – whether it investing in different assets, or about investing in the same assets in a different way. JANA was one of the first investment advisers to explore alternative investments, and has been doing so for over a decade. JANA is at the forefront of research into new asset classes and boutique investment opportunities.

JANA also uses alternative investment strategies, including long short positions (see over page), to help provide clients with the diversification needed within asset classes to protect against adverse market movements.

This approach helps JANA increase the emphasis on stock selection – meaning JANA's clients' returns are more reliant on manager skill than on market fluctuations.

### About JANA



JANA began research into **alternative investments** in the early 1990's, with their first client's investment into **private equity** and **infrastructure** in 1994, and **hedge funds** in 1999. Today, JANA has dedicated research teams focused on each of these areas. As at 30 June 2007, JANA advised over \$8 billion in alternative investments.

# alternative

## When the going gets tough...

You expect good returns year after year. And given the strength of the Australian share market over the last few years, that's probably what you've been getting.

But markets don't always deliver, and it's unrealistic to expect consistent positive returns from equity markets.

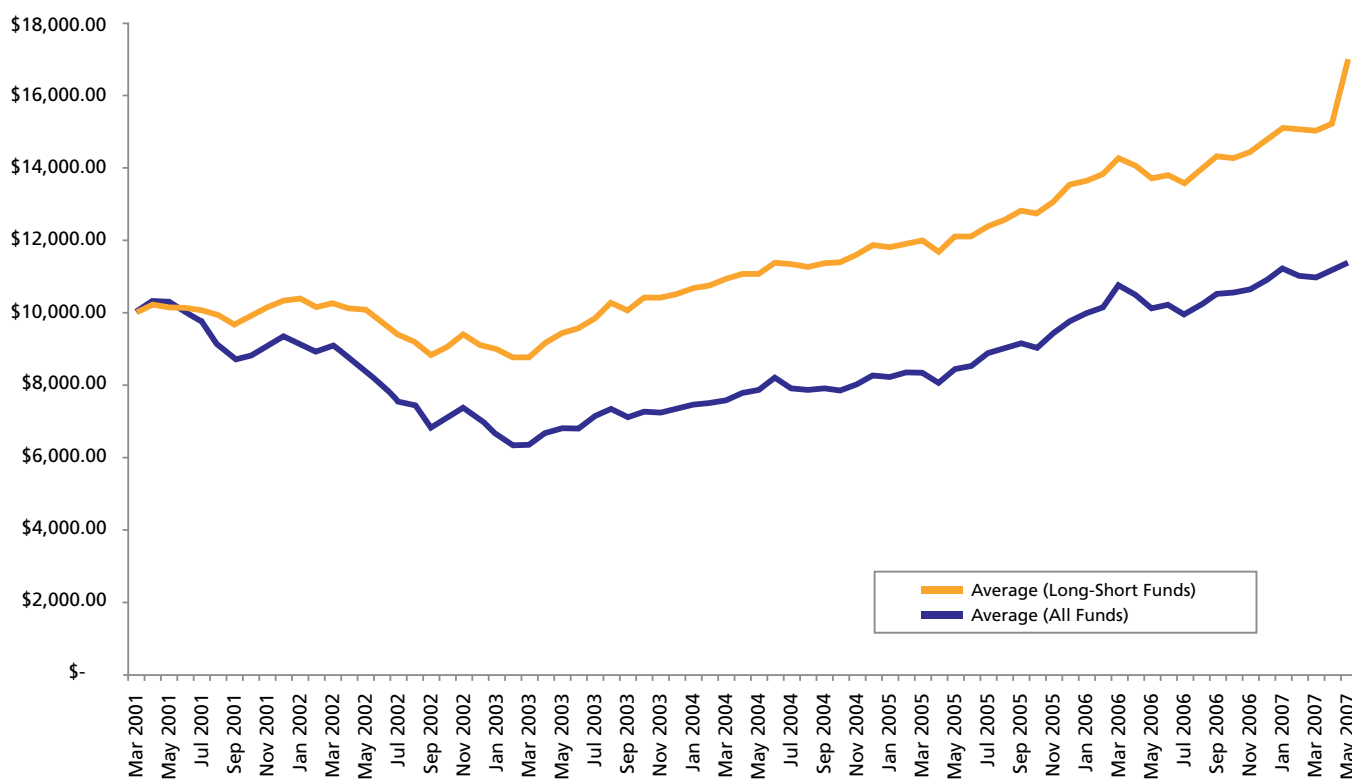
Recognising that investing in equity markets requires an acceptance of some level of volatility, JANA aims to profit from the good years, and reduce the impact of negative markets.

One way JANA does this is by recommending long short managers, whose aim is to profit when markets move in both directions by using negative information to their advantage – i.e. from picking stocks they expect to fall, as well as picking stocks they believe will rise.

The following chart shows how global long short managers have outperformed global long-only managers in recent years.

## The long and short of it

Global Long Shorts Vs Global Share Funds  
Value of \$10,000 invested [before tax and fees] March 2001 to May 2007



superior  
returns

# Long short strategy – the best of both worlds

Traditional investment managers generally buy shares they think will increase in value, and don't hold shares they think will fall. This means they can profit from the expected gain, but the best they can do from the expected fall is avoid any losses.

JANA's long short trusts\* aim to profit in both directions, by using managers that both invest in will increase in value (i.e. take a long position), and 'short-sell' shares they expect to decrease.

\* The JANA Australian Share Long Short Trust and the JANA Global Share Long Short Trust (the "JANA Trusts") are issued by MLC Investments Limited (ABN 30 002 641 661) (AFSL 230 705). JANA recommends the investment objectives and investment managers for these Trusts.

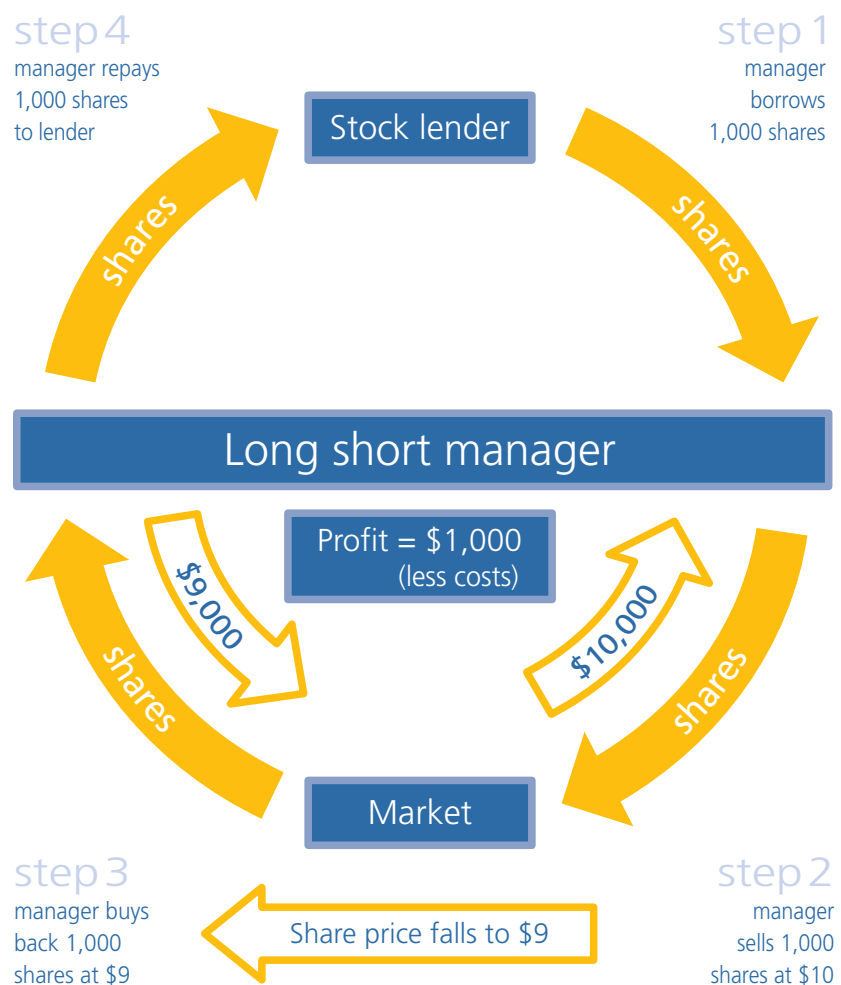
## How short selling works – a generic example

If a long short manager expects shares in a particular company to fall in value, they will arrange to borrow these shares from another party (see Step 1).

They immediately sell these shares to the market (Step 2).

If, as the manager expects, the shares fall in value, the manager will then buy back the shares at the lower price (Step 3) and repay the shares to the lender (Step 4). The manager profits from the transaction by the amount the share price fell, less any transaction or additional borrowing costs.

Conversely, if the shares rise in value, the manager will lose the amount the share price rose, plus any additional costs.



## The risks of short selling

Anticipating which shares will rise and fall is easier said than done, and getting it wrong (which happens to even the best investment managers) can lead to significant losses. To reduce the downside risk of taking short (and long) positions, the managers in the JANA Trusts use varying risk control mechanisms within their portfolios.

These include:

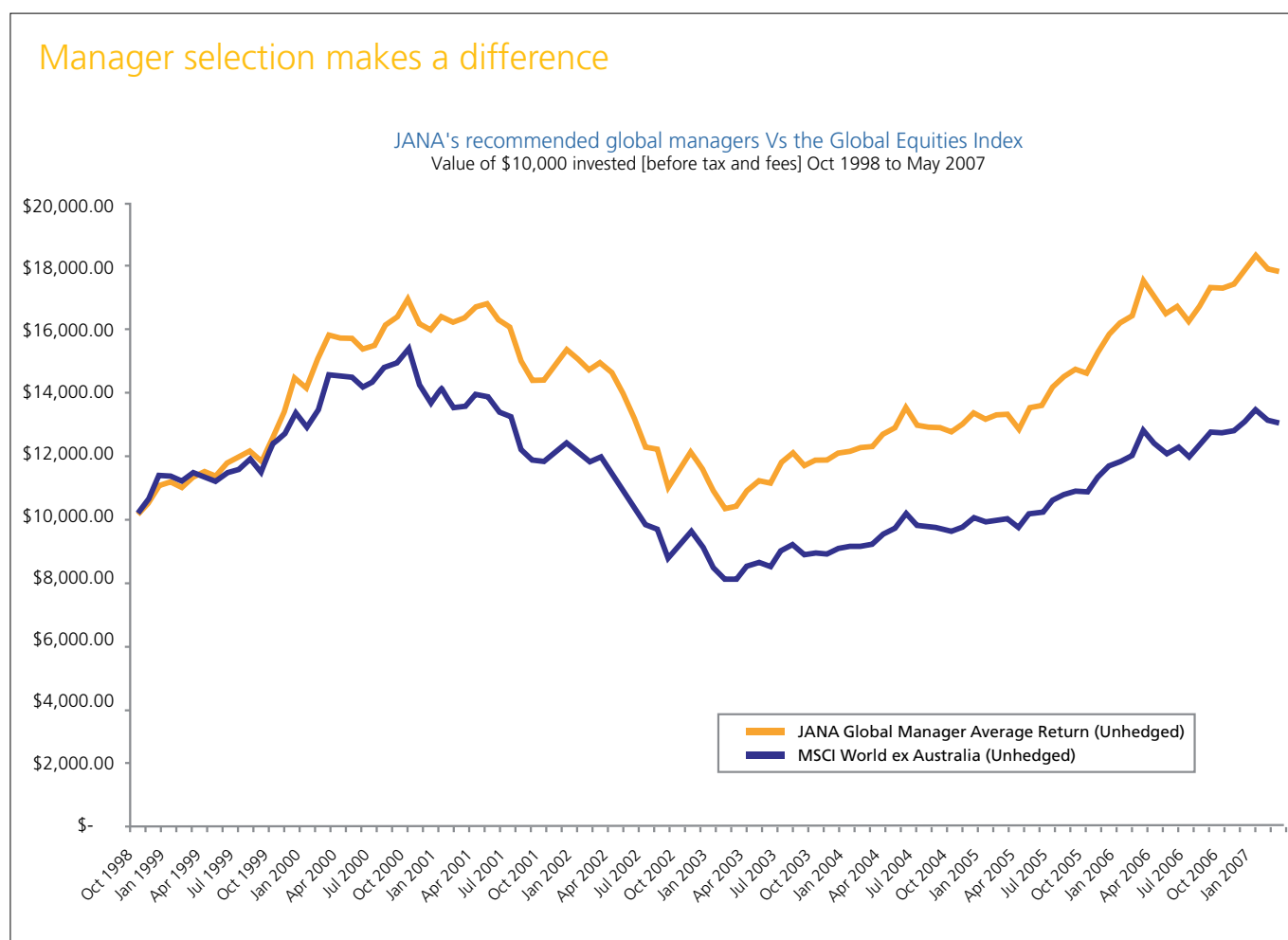
- putting limits on exposure to individual shares and sectors
- limiting the size of long and short positions (both net and gross)
- constant monitoring and rebalancing of positions.

## It's all in the research

JANA believes that understanding the reasons behind manager performance is more useful than simply looking at the performance itself. To find these reasons, JANA's team critically reviews the decisions investment managers make, as well as their performance and volatility. This ensures JANA is making decisions based on fundamentals, not just performance.

The research and thinking behind this 'protection focus' helps JANA identify managers who can reduce volatility and enhance performance — particularly during cycles of poor market performance.

The following chart shows the performance of global managers JANA has recommended versus the global equities index.



\* The JANA Global Manager Return is an average of global managers that JANA have recommended to their clients. It is an average only and each manager's performance is used equally. The managers used are both long only and long short. The performance shown is not the performance of the JANA Global and Australian Long Short Trusts and is only used to show JANA's manager selection skill. Past performance is not an indicator of future performance.

# Why JANA uses multiple managers

Rather than relying on any single manager's investment approach, JANA combines managers with different but complementary investment styles into its multi-manager portfolios. This is done for a number of reasons:

- **Diversification** – Diversification across a number of managers with different investment approaches helps reduce volatility.
- **Depth of insight** – Using a number of managers means you are not restricted to one investment approach, and you can benefit from the collective expertise of many.
- **Flexibility** – Investing with a number of managers reduces the dependency on any one manager. This makes it easier for JANA to make any changes to the manager line-up, and reduces the impact this can have on your portfolio.

## JANA's manager line-up

(at July 2007)

Investing in the JANA Trusts gives you access to some of the biggest names in the industry – names you've probably heard of, but ones that are typically not available to individual investors.

This is your opportunity to get some of the world's best managers working for you.

### Acadian Asset Management



(Australian and global shares)

Acadian Asset Management (Acadian) was founded in 1987. In 1992, Acadian became an affiliate of Boston-based United Asset Management, which was acquired in October 2000 by London-based Old Mutual PLC.

Acadian's investment philosophy centres around their belief that investment markets are not efficient and that many stocks are undervalued relative to their long-term prospects. Acadian employs a quantitative process to target undervalued companies with strong prospects for out-performance. Acadian's process also identifies companies that are overvalued and represent an attractive opportunity to be short sold.

JANA has been recommending investments with Acadian since 2005 and has been researching their process for many years. Acadian consulted JANA in the design of their Australian and global long short products.

### Goldman Sachs Asset Management



(Global shares)

Founded in 1988 and based in New York, Goldman Sachs Asset Management (GSAM) is a division of the Investment Management Division of Goldman, Sachs & Co., which was founded in 1869.

GSAM's quantitative equity strategies seek to add value from stock selection versus sector bets or style biases. GSAM uses the proprietary model 'CORE'—Computer Optimised Research Enhanced—which seeks to identify companies that are undervalued relative to the index based on six investment themes: valuation, momentum, analyst sentiment, profitability, earnings quality and management impact.

JANA recommends investments with GSAM because it believes their integrated end-to-end process gives them outstanding risk management capabilities.

## How JANA constructs its portfolios

There's more to diversification than simply investing with a number of managers. If the chosen managers take a similar approach to stock selection, it's possible their returns will also be similar — reducing one of the important benefits of diversification.

To ensure true diversification, and reduce volatility of performance, JANA combines managers with distinctive investment philosophies in its portfolios.

JANA then monitors the decisions of these managers to ensure they are staying true to their investment philosophy, and that the diversification of the portfolio is not compromised.

### About JANA



In the 12 months to June 2007, JANA conducted over 2,000 meetings with Australian and overseas-based managers. This research, representing ongoing meetings with established managers and initial meetings with 'emerging' managers, helps ensure JANA is advising on the best possible opportunities in the investment universe.

## Perpetual Funds Management



(Australian shares)

Perpetual Investments (Perpetual) and PI Investment Management form the fully-owned funds management arm of Perpetual Limited (PL). PL is a publicly listed company on the ASX.

Perpetual uses a Quantitative Investments (QI) process to produce an 'alpha score' for each stock in the investment universe on the basis of four main signal families: price momentum, earnings momentum, value measures, and reversal. The expected excess returns are input into QI's portfolio construction model and combined with risk factors and market data on trade volumes and impact costs. The model then determines the buy/sell list based on the expected returns, risk factors and transaction costs.

JANA has been recommending investments with Perpetual since 1996.

## State Street Global Advisors



(Australian and global shares)

State Street Global Advisors (SSgA) is the institutional investment management affiliate of State Street Bank and Trust Company, a wholly-owned subsidiary of State Street Boston Corporation established in 1792. SSgA Australia Limited was established in 1991 to service Australian and New Zealand clients, and is one of the five principal business areas of State Street Bank & Trust Company.

SSgA's investment approach is based on the belief that, at any given time, the vast majority of stocks respond in a systematic way to market-wide factors, and the remainder behave in an extreme fashion. SSgA uses a set of quantitative factors to identify these 'extreme performers', allowing them to exploit these opportunities.

JANA has had a strong relationship with SSgA for many years and was consulted regarding the design of their long short funds. JANA has been recommending investments with SSgA since 1996.

## A rare opportunity

JANA is the investment adviser for some of Australia's biggest companies and institutions, including Wesfarmers, Rio Tinto and industry super fund REST. In fact, JANA has only ever been available to institutional investors and superannuation members.

Until now.

You can now invest in the JANA Trusts - giving you access to a range of investment managers and funds, selected by JANA, that are usually not available to individual investors.

JANA believes capacity for the JANA Trusts will be limited, due in part to the belief that a larger FUM restricts a manager's ability to make effective investment decisions, and that early investors should not be disadvantaged as the trusts grow. These limits will be regularly monitored.

To find out more about the new JANA Trusts, speak to your financial adviser or go to [jana.com.au](http://jana.com.au)

innovation  
growth  
performance

### **Important information**

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