

Product Facts

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|----------------------------|----------------------------------|------------------------|------------------------|-------------------------|---------------|
| Investment manager: | JANA Pty Ltd | Peer Group: | Alternative Strategies | Fund type: | Wholesale |
| Investment adviser: | JANA Investment Advisers Pty Ltd | Strategy type: | Equity Based | Min. Investment: | A\$50,000 |
| APIR code: | MLC0672AU | Specialisation: | Long/Short | Inception date: | May. 25, 2006 |
| Fund Status: | Open | Manager type: | Multi Manager | Domicile: | Australia |

Standard & Poor's View

S&P rates this fund three stars, reflecting its conviction that the manager can generate risk-adjusted fund returns in line with relevant investment objectives and relative to peers.

The multi-manager JANA Australian Share Long Short Trust, invests in two to four long/short equity managers which all aim to provide market exposure, or a beta of one. The fund currently contains three managers, two quantitatively-focused and one fundamental manager. The current portfolio has constraints of 140%/40% and 130%/30% despite the product's ability to take up to 150% long, and 50% short positions.

S&P views positively the recent addition of a manager with a fundamental approach and expects that this will result in greater diversification and a smoother return profile than the previous fund structure. The weightings between assets are relatively static and we would expect to see a greater appreciation of the different risk and return factors of each manager filtering through to portfolio construction over time.

Fund returns have been below that of the benchmark since inception with recent poor performance due to the challenge faced by quantitative managers in generating returns in the high-volatility, trendless markets witnessed in the last financial year. Although the correlations between the funds have been low, the results of a lack of diversification were still very evident.

S&P was impressed that the experienced investment team had a strong grasp of the factors affecting each of the underlying managers and we believe the wider team has the appropriate skills and resources to identify and combine managers capable of delivering solid risk-adjusted returns.

Investment Style

This is a multi-manager style product that invests in Australian long/short equity managers. The fund allows the underlying managers to take a maximum long position of up to 150%, and short position of up to 50%, while retaining an equity market beta of approximately one at all times.

This approach to long/short equity management is designed to enhance potential returns from stock selection (both long and short) while providing a return profile similar to an Australian equity index. Unlike less constrained long/short funds, the fund is unable to enhance its returns by altering its exposure to equity markets over time.

The multi-manager approach to investing can provide investors with greater diversification benefits than a single manager and may provide smoother overall returns.

Product Characteristics

| | | | | | | |
|--------------------------------|------------|---------------|-------------|----------|------|-----|
| Target equity beta | 0.25 | 0.50 | 0.75 | 1 | 1.25 | 1.5 |
| Tracking error (% p.a.) | 3-5 | 4-6 | 5-7 | 6-8 | 7-9 | 10+ |
| Number of managers | 2-4 | 20 | 40 | 60 | 80 | 100 |
| | Low | Medium | High | | | |
| Tactical Allocation | | | | | | |
| Strategic Allocation | | | | | | |

Fund Objectives

| | |
|---|---|
| Target returns (% p.a.) | To outperform the S&P/ASX300 Accumulation Index (before fees) Over rolling 5 year periods |
| Target tracking error ex ante (% p.a.) | 3 - 5 |
| Target/actual equity beta | 1.00 |

Adviser Fees

| | |
|----------------------------------|------|
| Upfront establishment fee | None |
| Trail fees | 0.00 |

Fund Fees

| | |
|--|-------------|
| Indirect Cost Ratio (ICR) | 1.44 |
| Management fee (% p.a., including GST) | 1.1-1.2% |
| Reclaimable expenses (% p.a.) | 0.00 |
| Other fees (note, swap, fx, etc) | 0.00 |
| Performance fee – underlying managers (% p.a.) | 0-0.85* |
| High water mark (Y/N) | Yes |
| Hurdle rate | N/A |
| Buy/Sell spread (%) | 0.30 |

*Note that this is an estimation of performance fees on the underlying managers. These depend on the performance of the underlying managers and may be greater than 0.85% per year.

Fund Characteristics

| | |
|---|----------------------|
| Current/Max leverage at fund level | 0.00 |
| Current/Max leverage at underlying level | 0.00 |
| Initial lock-up | N/A |
| Redemption period | Daily** |
| Notice period for redemptions | 1-3 business days |
| Limit on redemptions (gate) | At JANA's discretion |
| FIF status | None |
| Currency hedged (Y/N) | No |

*Note that this is an estimation of performance fees on the underlying managers. These depend on the performance of the underlying managers and may be greater than 0.85% per year.

Product Features

The management expense ratio (MER) is estimated to be 1.1% to 1.2% per year inclusive of fees paid to the underlying investment managers. Although the trust has no performance fee, performance fees may be payable on the underlying funds. JANA has estimated that this cost may be 0%-0.85% per year. Income is distributed annually.

Investment Team

JANA's research team is quite large at 42. The team is not dedicated to fund manager research, with the majority of investment staff also holding client advice responsibilities. The degree to which team members are involved in research varies depending on their skill set and experience, but is typically substantial.

Investment staff are organised by sector, with separate teams responsible for Australian equity, global equity, infrastructure, private equity, property, fixed interest, and cash. This allows a level of specialisation, particularly for sector heads. JANA permits some rotation of responsibilities across sectors, ensuring that all staff gain an understanding of different sectors and asset classes over time.

John Coombe is responsible for the Australian Share Long Short Trust. Mr Coombe joined JANA in 1988 and has 31 years' investment experience. He is supported by the head of Australian equity, Aidan Geysen. Mr. Geysen joined JANA in 2004 and has 12 years' investment experience. Mr. Coombe is also supported by another seven investment professionals.

The head of investment research is Steven Carew. Mr. Carew has 15' years industry experience and is responsible for JANA's research program. Manager selection decisions are overseen by the JANA research committee which meets monthly. The research committee is chaired by Mr. Carew and consists of 14 senior members of the research team. The research team is supported by the head of quantitative systems, Chris Kamino.

S&P believes the team has the experience, skills, and resources necessary to effectively select underlying managers.

Senior Investment Team

| Name | Title | Date of Joining |
|---------------|---|-----------------|
| Ian Patrick | CEO | 2002 |
| Steven Carew | Head of Investment Research | 1998 |
| John Coombe | Director & Australian Equities Consultant | 1988 |
| Aidan Geysen | Head of Australian Equities | 2004 |
| Chris Kasmino | Head of Quantitative Systems | 2005 |

Investment Philosophy

JANA believes that active fund management can add value and that it is possible to identify skilled fund managers through comprehensive research. When assessing fund managers, JANA seeks to thoroughly understand each manager's investment philosophy, process, and personnel, as well as its back office support, compliance, and performance. Through this process, JANA hopes to identify quality managers and fully understand their strengths and weaknesses.

JANA is a supporter of the multi-manager approach, arguing that the optimal combination of managers can provide higher and more consistent returns than is typically gained by investing with a single manager. JANA seeks to combine fund managers that have sufficiently different investment approaches, and that are therefore expected to produce different patterns of relative performance. In

doing so, JANA hopes to achieve a more consistent return profile at the overall fund level.

JANA believes that quantitative managers are inherently suited to long/short investing due to their ability to efficiently handle the vast amount of investable stocks available. However, JANA is cognisant of the limited level of diversification provided by using quantitative managers only, even where their approaches differ. The long/short funds have traditionally invested only with quantitative managers, although JANA has recently added a fundamental manager to the JANA Australian Share Long Short Trust to improve the trust's level of diversification.

JANA's research identified that 150/50 was the upper limit in terms of gross/net exposure of beta-neutral equity strategies before observing a marked reduction in the information ratio of those strategies. As such, JANA invests with managers that would typically hold exposures under this level. Currently managers run portfolios ranging from 130/30 to 140/40, reflecting the underlying manager's own estimation of the optimal level of the optimal level of long and short for their individual strategies. S&P is comfortable with this deviation, as the appropriate level of long and short is likely to differ depending on each manager's investment approach.

Investment Process

JANA uses a three stage process to identify the most suitable candidates for inclusion in the fund.

The first stage involves identifying potential managers. JANA does not undertake database screens to help identify prospective managers. Rather, its approach to manager research is an "open door" policy, whereby it meets with any fund manager that requests its time. JANA devotes considerable resources to fund manager research; it conducts over 2,000 manager meetings per year, within Australia and internationally. Although this is arguably a time consuming approach, it does give JANA a good level of knowledge of a large number of portfolio managers. From these meetings, JANA is able to identify those managers that may be appropriate for inclusion in the fund.

The second stage of the process is collating and assessing more detailed information on prospective managers. This includes information on past performance, investment philosophy, organisational structure, fees, and management experience. JANA undertakes quantitative analysis to assist in understanding and assessing prospective managers as part of this process. JANA recently reviewed its information systems which resulted in a transition from MSCI Barra to APT. JANA consider this a considerable improvement.

JANA will continue to meet with prospective funds until it gains a good understanding of the manager. As a precondition of appointment, at least three JANA investment personnel must meet with the manager. All meetings are documented and recorded in JANA's internal management information system.

Once appropriate managers have been identified and researched in detail, the JANA research committee is presented with a detailed report outlining the reasons for including that manager in the fund. The research committee meets monthly and its role is to review, analyse, and challenge manager-selection decisions. The committee must approve a manager for it to be included in the fund.

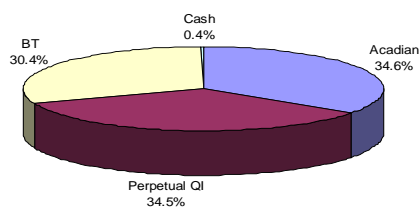
Ongoing monitoring of the underlying manager allocations is undertaken by the global equity team with ongoing oversight by the research committee.

Current Portfolio Holdings

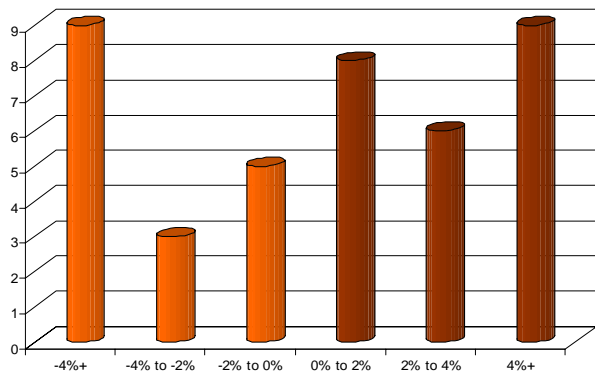
At June 30, 2009, the fund invested with three managers: Acadian Asset Management, Perpetual, and State Street Global Advisors (SSgA). Since that time, SSgA has been replaced with BT Investment Management (BT). Unlike Acadian and Perpetual, BT does not take a quantitative approach to stock selection. S&P views the inclusion of a fundamentally driven manager positively.

JANA historically allocated equal portions of the fund to each underlying manager, arguing that there were insufficient grounds to allocate more or less to any of the managers. S&P believes that this approach does not adequately consider each manager's expected risk and return profile. In the future, JANA intends to give greater consideration to the risk and return expectations of each underlying fund, as well as to its own conviction, during the portfolio construction process. BT has been included at a slightly lower weight of 30%, reflecting a slightly lower level of conviction.

Fund Allocation (as at Sept. 30, 2009)



Distribution of Returns (as at Sept 30, 2009)



Risk Management

JANA's approach to risk management is reasonably holistic, using both quantitative risk analysis and qualitative inputs to minimise risk in the portfolio.

The fund is a beta one style product that targets a tracking error of 6% to 8% per year. JANA considers a range of risk factors when selecting managers, paying particular attention to portfolio risk, the likelihood of adverse organisational change, key person risk, liquidity, capacity constraints, and manager performance in declining markets or extreme market environments. Establishing these risk tenets provides a sound framework for ongoing risk monitoring.

JANA uses two risk and portfolio analysis tools, FactSet and APT, to analyse and monitor the fund's risk exposure. These systems enable

JANA to monitor specific stock selections, correlations, tracking error, performance analysis, attribution, and various other factors at both the underlying portfolio level and at the aggregate portfolio level. Quantitative risk management is seen as a way of ensuring that JANA is fully aware of (and comfortable with) the exposures within the fund.

Performance

The fund aims to deliver a return (before fees and expenses) in excess of the S&P/ASX 300 Accumulation Index, over rolling five-year periods. The fund has been in operation since May 2006, and returns since inception have been below the benchmark.

All three underlying funds have struggled to deliver target returns, particularly SSgA. This was particularly pronounced in 2008 when broad market dislocation reduced the effectiveness of quantitative trading models.

Performance Measures (at Sept. 30, 2009)

| | |
|-----------------------------|------------------|
| Average portfolio positions | 3 |
| Best monthly return (%) | 8.00 |
| Worst monthly return (%) | (17.70) |
| Positive months (%) | 58 |
| Maximum drawdown (%) | (50.5) |
| Maximum drawdown period | Nov 07 – current |
| Months to recovery | Current |

Risk and Return Analysis (as at Sept. 30, 2009)

| | Fund | Benchmark |
|----------------------------|---------|-----------|
| One-year return (%) | (7.17) | 8.50 |
| Two-year return (% p.a.) | (16.59) | (11.06) |
| Three-year return (% p.a.) | (0.96) | 1.63 |

Management Group Profile

JANA Investment Advisers (JANA) was established in 1987, and is one of Australia's largest investment consulting firms. JANA has increased its exposure in the retail funds space, launching three multi-manager products in recent years. JANA was purchased by the National Group in 2000, and is now a wholly owned subsidiary of the National Australia Bank.

MLC dates back to 1886 when Citizens Life Assurance was incorporated. One hundred years later it became the first multi-manager in Australia after being acquired by Lend Lease. Now owned 100% by National Australia Bank, which bought the business in 2000, MLC is the bank's wealth management division, accounting for 9.6% of total earnings in the year to September 2006.

Assets under Management

The JANA Australian Share Long Short Trust had roughly A\$47 million in funds under management at Sept 30, 2009. This is substantially lower than a year earlier, when the trust had about A\$109 million in funds under management. The reduction represents both negative performance and the redemption of an institutional investor that moved the entirety of their FUM from JANA's Institutional Consulting platform when they changed asset consultants.

The investor base is predominantly retail, with 79% of assets relating to retail investors and the remaining 21% relating to wholesale investors.

Analyst(s): Simon Scott

Release authorised by: Leanne Milton.

S&P Fund Rating Reference Information

Reference Material

Sector Reports

www.standardandpoors.com.au/funds

Reader's Roadmap

www.standardandpoors.com.au/funds

Glossary

www.standardandpoors.com.au/funds

Guide to S&P Qualitative Fund Ratings

www.standardandpoors.com.au/funds

Fund Rating Team Biographies

www.standardandpoors.com.au/funds

Fund Rating Peer Groups by Sector

| Australian Equities | International Equities | International Fixed Interest | Alternative Strategies |
|----------------------------------|-----------------------------------|-----------------------------------|------------------------|
| Large Cap Diversified | Diversified Equities | Diversified Fixed Interest | Equity Based |
| Large Cap Income | Emerging Markets | Diversified Fixed Interest Income | Fixed Income Based |
| Large Cap Indexed | Emerging Markets Asia ex Japan | Fixed Interest | Futures Based |
| Large Cap Industrials | Emerging Markets China | Fixed Interest High Yield | Multi Asset Based |
| Long Short | Emerging Markets India | Fixed Interest Income | Multi-sector |
| Small Cap | Large Cap Diversified | Mortgages | Capital Guaranteed |
| Specialist | Large Cap Income | Mortgages High Yield | 20 |
| Australian Fixed Interest | Large Cap Indexed | Mortgages Conventional | 40 |
| Cash | Large Cap Industrials | Mortgages Hybrid | 60 |
| Cash Enhanced | Long Short | International Property | 80 |
| Fixed Interest | Long Short Specialist | Direct Commercial | 100 |
| Fixed Interest Income | Long Short Regional | Direct Development | Equity |
| Mortgages | Regional Japan | Direct Diversified Direct | Other |
| Mortgages High Yield | Regional UK/Europe | Direct Industrial | |
| Mortgages Conventional | Regional US | Direct Residential | |
| Mortgages Hybrid | Regional Asia | Direct Retail | |
| Australian Property | Small Cap | Direct Rural | |
| Direct Commercial | Specialist Healthcare | Direct Specialised | |
| Direct Development | Specialist Information Technology | Diversified Property | |
| Direct Diversified Direct | Specialist Resources | Listed | |
| Direct Industrial | | | |
| Direct Residential | | | |
| Direct Retail | | | |
| Direct Rural | | | |
| Direct Specialised | | | |
| Diversified | | | |
| Listed | | | |








Fund Rating Philosophy

A star rating is a forward looking assessment of a manager's ability to consistently generate superior risk-adjusted fund returns, net of fees, relative to relevant investment objectives and peers.


Fund Rating Process

In assigning a star rating to a fund, Standard & Poor's evaluates: the size, skill and stability of the manager's investment team; the clarity, implementation and risk management of the investment process; the fund's objectives, fee structure and portfolio characteristics; and the manager's business management.

Fund Rating Definitions

| | |
|--|--|
|  | Standard & Poor's has very high conviction that the manager will consistently generate risk-adjusted fund returns in excess of relevant investment objectives and relative to peers. |
|  | Standard & Poor's has high conviction that the manager will consistently generate risk-adjusted fund returns in excess of relevant investment objectives and relative to peers. |
|  | Standard & Poor's has conviction that the manager can generate risk-adjusted fund returns in line with relevant investment objectives and relative to peers. |
|  | Standard & Poor's has conviction that the manager will not generate risk-adjusted fund returns in line with relevant investment objectives and relative to peers. |
|  | Standard & Poor's has high conviction that the manager will not generate risk-adjusted fund returns in line with relevant investment objectives and relative to peers. |
|  | Issues potentially affecting the management of the fund have emerged, and the fund rating is temporarily suspended, pending clarification. |
|  | A manager with significant issues that have the potential to adversely impact performance. Existing investors should consider obtaining advice regarding switching or redemption. |

Fund Rating Subscript

 Where the investment process, fund manager or analytical team has changed significantly, or where the fund has a relatively short history, but a relevant and demonstrable track record can be shown on similar funds.

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