

Product Facts

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

Standard & Poor's rates this fund three stars, reflecting our conviction that the risk-adjusted returns can meet relevant investment objectives and be in line with returns of peer funds.

The JANA Global Share Long Short Trust is a multi-manager product which invests in two to four underlying long/short equity managers. The underlying managers used are "beta one" style managers, meaning they seek to retain an equity market beta of one at all times.

The fund currently comprises three underlying managers. Although the overall fund has the flexibility to invest in funds that take up to 150% long, and 50% short positions, the current underlying managers have fund constraints of 140%/40% and 130%/30%.

All the underlying long/short portfolios are managed using a quantitative investment approach. Although there are differences in the detail of each manager's approach, a greater level of diversification could arguably be achieved by including a manager with a more distinctive investment process. S&P would like to see greater consideration given to the variety of managers in the portfolio, although we recognise that there is a limited pool of managers in this space, particularly given the constraint of an MSCI World ex Australia Index benchmark and an Australian dollar denomination.

The JANA investment team is responsible for manager selection and for monitoring the aggregate portfolio. S&P believes the highly experienced investment team has a good understanding of the underlying managers and the appropriate skills and resources to identify and combine managers capable of delivering strong risk-adjusted returns.

Investment Style

This is a multi-manager style product that allocates to long/short equity managers. The fund is concentrated with between 2 and 4 underlying funds and 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.

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 a global 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 MSCI World ex Australia net over 5 years
Target tracking error ex ante (% p.a.)	3 - 6
Target/actual equity beta	1.00

Adviser Fees

Upfront establishment fee	None
Trail fees	0.00

Fund Fees

Total Cost (excluding underlying managers fees)	1.35
Management fee (% p.a., including GST)	1.3 – 1.4
Reclaimable expenses (% p.a.)	0.00
Other fees (note, swap, fx, etc)	0.00
Performance fee – underlying managers (% p.a.)	0.93*
High water mark (Y/N)	Yes
Hurdle rate	N/A
Buy/Sell spread (%)	0.35

*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 0.93% 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

** Subject to the discretion of the Trustee as to exceptional circumstances.

Product Features

The management expense ratio (MER) is estimated to be 1.3% to 1.4% per year, including 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 as roughly 0.93% 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.

The global equity team is led by Michael Mulcahy. Mr. Mulcahy joined JANA in 2007, assuming the role of head of global equity in 2008, following an internal restructure that saw Ian Patrick, former head of global equity, become CEO of the group. Mr. Mulcahy has 12 years' investment experience, five of which were spent managing a global equity multi-manager fund at Suncorp. Mr. Mulcahy is supported by another seven investment professionals, including John Coombe (31 years' experience, 20 with JANA) and Aidan Geysen (11 years experience, six at JANA), who is also head of Australian equity.

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
Michael Mulcahy	Head of Global Equities	2007
Chris Kamino	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. They seek 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 globally. 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.

S&P would like to see greater consideration given to the variety of managers' included in the portfolio, although we recognise that there is a limited pool of managers in this space, particularly given the constraint of an MSCI World ex Australia Index benchmark and an Australian dollar denomination.

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 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. In addition to this, JANA has an affiliation with InterSec Research Corporation which provides JANA with access to global equity 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.

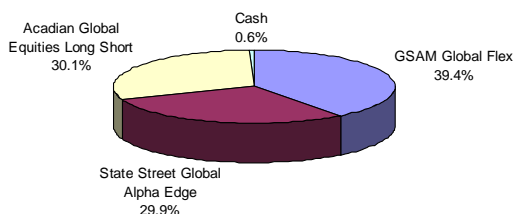
Ongoing monitoring of the underlying manager allocations is undertaken by the global equity team with ongoing oversight by the research committee.

Current Portfolio Holdings

At June 30, 2009, the trust invested with three managers: State Street Global Advisors, Goldman Sachs JBWere, and Acadian Asset Management, all of which are quantitative, globally focused, long/short funds.

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 its own conviction, during the portfolio construction process. We note that the fund remains invested roughly equally across all three managers.

Fund Allocation (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 MSCI World ex Australia Index, over rolling five-year periods. Returns since the fund's inception in May 2006 have been below the benchmark.

All three underlying funds have struggled to deliver target returns since inception. Acadian has performed particularly poorly, generating a return of -17.5% per year since inception of the JANA fund to June 2009, relative to a benchmark return of -10.6% per year.

Performance Measures (after MER) (at Sept. 30, 2009)

Average portfolio positions	3
Best monthly return (%)	5.84
Worst monthly return (%)	(11.01)
Positive months (%)	47
Maximum drawdown (%)	(45.39)
Maximum drawdown period	May 07 – current
Months to recovery	Current

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

	Fund	Benchmark
One-year return (%)	(18.47)	(13.41)
Two-year return (% p.a.)	(20.23)	(15.06)
Three-year return (% p.a.)	(13.61)	(9.91)

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 its 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 Global Long Short Trust has roughly A\$34 million in funds under management at Sept 30, 2009. This is substantially lower than a year earlier, when the trust had about A\$57 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 62% of assets relating to retail investors and the remaining 38% 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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