

Keeping away from currency, LPTs helps JANA

By Michael Bailey

The average balanced option of JANA Investment Advisers' traditional asset consulting clients performed well above both the SuperRatings and Mercer survey averages for the five years to March 31, but the result had as much to do with what JANA didn't invest in as what it did.

The former managing director and now head of investment outcomes for the consultancy, Ken Marshman, said the particularly strong result for the last 12 months was due to JANA's longstanding underweight in Australian listed property trusts.

Much as he would have liked to have participated in the spectacular upside that LPTs delivered before their precipitous fall, Marshman said the bet against them had been based in "sound risk management reasoning".

JANA has also neglected to play the currency game for some time, holding clients' currency at between 15 and 20 per cent for much of the five years in question, thus benefiting from the doubling of the Australian dollar's value against the greenback over that period.

There were some overweight positions which contributed towards JANA clients' performance, most notably in emerging market equities, and small caps both here and abroad.

If he could have his time over again, Marshman said he would have recommended clients take a higher allocation to infrastructure, up from the 5-10 per cent range counselled until recently by JANA to more like 10-15 per cent.

"As real interest rates have fallen, infrastructure has come into its own with returns north of 10-12 per cent," he said, although he added recent market events had woken more investors to the value of liquidity.

"Liquidity gives you greater



Ken Marshman ...
alpha/beta separation structures too
'perfect' for their own good

opportunity, it allows you to take out credit spreads that are really appealing, otherwise you have to let them pass."

Marshman said JANA was awake to the advantages of some alpha/beta separation, its TriplePoint hedge fund-of-funds was designed along those lines, but he warned against too purist an approach.

(to 31 March 08)	JANA Median Super (%)	Super Ratings All Fund Median (%pa)	Mercer Balanced Median (%pa)
1 year	-0.9	-2.6	-5.3
3 year	9.6	8.8	7.8
5 year	11.8	10.9	10.6

Note: JANA figures based on average performance of client default options with portfolio construction similar to 70:30 growth:defensive split.

"We live in an imperfect world, and when you try and force a 'perfect' model upon it,

you incur complexity, cost and loss of opportunity," he said. ■