

Leading in a changing world

September 2021



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Leading in a changing world

Our world is changing at an accelerating pace.

The forces driving this change are diverse: technological innovations, seismic cultural shifts, political polarisation, growing income disparity, the end of superpower certainty and a global tipping point on climate change action.

Most recently we have witnessed the all-encompassing impacts of a global pandemic. COVID-19 has fundamentally altered our way of living and working, demanding unprecedented behaviour change and collaboration.

As well as the macro changes driven by COVID-19, an ever-changing regulatory environment and evolving market expectations are transforming approaches to investing.

The evolution of fiduciary duty has been turbocharged by the Royal Commission, leaving in its wake a fragmentation of banks and a major shake-up to financial advice as we know it.

Not-for-profit organisations are facing pressure on multiple points, including reduced income from historically low interest rates and a drop in donations.

Insurers are facing similar challenges posed by the low interest environment, with their typically defensive investment portfolios struggling to deliver sufficient returns to support their purpose. This is compounded by the current commercial realities of tightening margins.

In superannuation, we have a raft of regulatory change including Your Future Your Super reforms, benchmarking and performance tests, a retirement income covenant and the potential elimination of poorly performing funds.

And in wealth partnerships, self-licensing leaves wealth practices with two options: introduce more in-house expense and bottom-line cost or bring in external expertise.

For all of us, a low interest rate environment means we cannot rely on cash and fixed interest returning a reasonably priced yield.

We have entered a new age of responsibility and accountability, with louder and stronger calls for social action spread by digital networks and community activism. Boards and CEOs are being held to account, and brands are expected to pursue purpose.

Investment is no longer about pure return, but instead working towards creating a long-term, positive impact, not only for direct beneficiaries, but the globalised communities in which they operate.

This confluence of change brings both uncertainty and opportunity for the investment sector.

For more than 33 years, JANA has enabled its partners to realise these opportunities and is ultimately here for one reason – together, we have the power to make a real difference to millions of people.

In times of change, we must remain alert to opportunities and risks, and accept the challenge of investing for change itself.

“We are endlessly curious about the financial markets, and never satisfied with our first go. The team is always encouraged to think broader and dig deeper. This means we have a constant stream of innovative ideas and seek out opportunities that others don’t see.”



Jim Lamborn

Jim Lamborn,
Chief Executive Officer

Strategy for a changing world

JANA has navigated the global pandemic to become Australia's largest investment consultancy, with total assets under advice sitting at A\$850bn (a year-on-year increase of 40%) and close to 90 institutional clients.

Our approach – Depth with Difference – leverages our position as a majority management-owned, independent asset consultancy, using structure, process, tools and a diverse range of experience to unlock opportunities for our clients.

Corporate sustainability practices in investment processes

Every investment decision has an impact, but what should this impact be? How can we influence that impact to achieve better outcomes for ourselves, and for society?

Corporate sustainability practices have become just as big a focus as pure returns. Increasingly our clients, and their stakeholders, want to understand the real-world impact of their investment decisions in areas such as carbon footprint, modern slavery and climate change.

We take an integrated approach to sustainability, leveraging insights to consider impact beyond the investment portfolio.

Evolving flexible structure to meet changing client needs

Profound shifts in investment best practice asks more of our clients. There's a need to act with flexibility, adaptability and the ability to analyse and improve.

Our business continues to evolve with these changes to meet the needs of a diverse client base.

Forward-looking investment ideas to support clients in a low return world

With a scarcity of attractively priced assets and lower returns, today's investors find themselves in an environment where attractive yields are harder to come by. But just as challenges exist in this market, so too do opportunities.

We build portfolios that will be robust in a range of potential economic and market environments and which will achieve sustained investment outcomes over time.

"In the fast paced, ever-changing field of technology, you don't have time to rest on your laurels. Deep knowledge, expertise and understanding helps us find customised solutions that are tailored to our client's needs. This helps us manage risk, increase efficiency and deliver value to our clients."



– **Ann-Mary Rajanayagam**
Head of Information
Technology & Operations

Focus on capability and resource to meet increased regulatory pressure on clients

Change is nothing new for investors. What is different now is the rate of change.

The diversity of JANA's client base means we've already assessed most problems from many different angles. It's this deep understanding that helps us determine the market and other risks including liquidity, structural, ESG and climate change risks.

Deep and broad investment research to uncover the best market opportunities

In a post-pandemic landscape, we've seen 100-year industries ground to a complete halt, with investors identifying an increasing need to deliver bespoke research solutions.

A 'one-size-fits-all' approach to research simply isn't good enough.

JANA's research utilises rigorous process, judgement and experience to evaluate the range of factors driving markets and to identify managers with outstanding qualities that will deliver superior risk and return outcomes over a market cycle.

Operations – the new alpha

With the changing regulatory landscape placing a spotlight on data and performance, finding benefits in operating models to improve net returns is critical – now more than ever.

Our clients are looking for technological advancements which can support operational functions to generate returns and decrease risk. We're seeing them step away from traditional provider relationships and leaning towards leveraging technological capabilities to integrate with partners and reduce internal operational burdens.

By leveraging our operational and governance research, we assist our clients in increasing efficiencies and generating 'operational alpha'.

"Comfort with your subject matter allows you to play with it – to challenge unspoken assumptions, envision how things will play out under different scenarios and to understand the true drivers. JANA's depth with difference gives our clients the right to trust."



– **Ashleigh Crittle**
Chief Operating Officer



Sustainable and responsible investing

“Sustainability developments are happening at a dizzying pace, here and internationally. It’s a challenge for clients to digest the onslaught of information, let alone know what to prioritise and which action to take. JANA’s insights are actionable.

It’s about providing clients with a roadmap of what is important for their business and how to act on it with a view to the future.”



– **Rachel Halpern**
Head of Sustainability

Investing with impact

Impact has always been central to JANA. Our mission statement is

Together, we have the opportunity to impact millions of people.

This motivating force drives us every day.

Impact, or rather impact integration, involves building the bigger picture to take the environmental, social or financial system context into all portfolio construction decisions.

Every investment decision has an impact. The questions are two-fold:

- What real world actions are going to drive impact for our investments?
- How can we use that impact to influence better outcomes for investors and society?

Looking Forward

- Clients tilt towards green assets, picking winners in each sector, across the whole economy
- An increased focus on assets that are resilient in an environment of climate change action, including renewable energy assets
- A growing focus on biodiversity, with natural capital gaining increasing prominence in investments. Asset owners will also need to understand, quantify and report on the nature-related risks embedded within their portfolios.

To deliver long-term sustainable returns, you need strong considerations of environmental, social and governance (ESG) risk management. That is why JANA does not recommend any investment that fails to consider sustainability implications.

An ESG or Corporate Social Responsibility checklist is no longer enough. Modern day investors need to acknowledge and act upon the premise that all investments have real world outcomes, intentional or not.

All investments need to be positioned in relation to your responsibility to your (or your clients') beneficiaries and core mission.

Impact investments are made to generate measurable social and environmental impact alongside financial returns.

Embracing sustainability doesn't mean abandoning strong returns – in fact the opposite. Take climate change – our view is that 'green' assets will outperform 'brown' across all asset classes, and that this is not currently priced into markets.

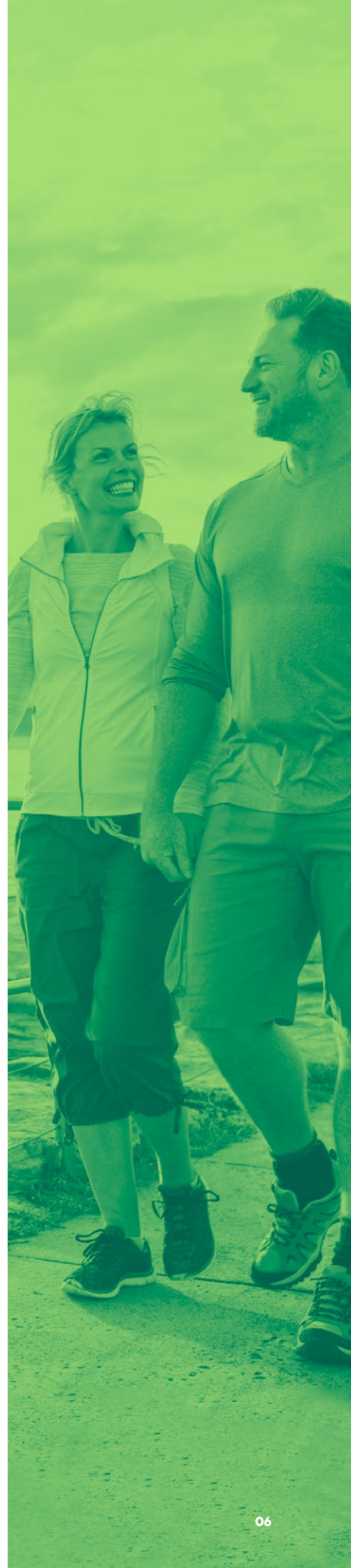
You can't answer the bottom-up, granular questions about sustainability and responsibility without having a strong, top-down philosophy and vision. This is the journey JANA starts with clients, before marrying up the vision to investments.

JANA ensures impact measurement across whole portfolios, applying deep and cutting-edge sustainability expertise to the end-to-end investment chain with a focus on real world outcomes.

“Depth with difference means going the extra mile to deliver for our clients to ultimately improve the lives of millions of people. I think we are all very clear on why we get up in the morning – to have a positive impact on the future. We are purpose-led and that comes through in how hard we work and how deeply we think.”



– **Lauren O'Neill**
Head of Client Development





Performance with difference

The world is an increasingly complex environment for investors to navigate, let alone thrive in.

This is why the support JANA provides clients is more important now than ever.

Our model gives us a competitive advantage. JANA is majority management-owned and independently governed by a diverse team of industry leaders. This structure not only allows us to attract, develop and retain the best minds in the industry, but also provides us with a unique independence to drive our own research agenda and invest in areas that are important to our clients.

There is a huge amount of experience retained in the business, combined with a deep curiosity and a thrill for problem-solving. The relationships we have with specialist managers, and the ability to get them thinking about our clients and their issues, allows us to come up with new innovations.

We've actively sought out a broad client base, from superannuation funds to Not-For-Profit (NFP) organisations, family offices and insurers. Providing bespoke solutions for each client means we deal with the issues of today's world from multiple viewpoints.

We've strategically strengthened our capabilities in sustainability, technology, operations and NFP consulting. We've welcomed Rachel Halpern as our first Head of Sustainability and former New York Stock Exchange program manager Ann-Mary Rajanayagam as Head of Technology and Operations. Our NFP offer has been bolstered by hiring Michael Maher as Co-Head of NFP Consulting, and we've appointed Greg Wilkinson as Head of Insurance Strategy.

Navigating the information overload

Making sound, rational investments is a matter of either finding insight when there's a lack of information, or cutting through the noise where there's an information overload.

Quality research navigates these challenges. This is why we've developed a world-class, independent research programme, conducted from both a bottom-up perspective (through asset class research) and a top-down perspective (through portfolio construction analysis).

JANA's research is unconflicted. Our advice is completely independent and driven by the best interest of our clients. We retain a dynamic and flexible approach and don't rely on overseas offices or affiliates to obtain our 'on the ground' insights.

Research Agenda

As the world continues to evolve at a rapid pace, we stay at the forefront, with JANA's research agenda including:

- A continued focus on Sustainability, including alignment with Net Zero goals and continued evolution of JANA's proprietary climate change scenario model
- The ongoing development of portfolio modelling and analytics tools, including Retirement Adequacy and Your Future, Your Super modelling capability
- Responsive asset class research focused on identifying the best investment opportunities for the market environment and for a changing regulatory environment.

“We are not ‘cookie cutter’ in our approach. All our clients receive bespoke advice. We see it as a partnership where we provide deep, relevant research and apply this to their specific objectives, constraints and member profile to yield better outcomes.”



– Kirsten Temple
Manager of Research

Operational Consulting

Our Operational Consulting services work with clients to develop and enhance industry leading operating models that partner with investments.

Our team delivers efficiencies in operational governance, custodian and investment manager relationships through independent and thorough analysis and the implementation of best-in-class governance frameworks. This not only complements investments but also benefits both members and beneficiaries.

Powering performance

Success requires a long-term perspective and being prepared to be different. We believe it's possible to reduce risk and outperform over the long-term, with an investment philosophy encompassing:

- Markets offer opportunities
- Valuation is key
- Thorough research and analysis deliver superior performance
- Understanding and managing risk is critical
- Sustainable investment outcomes can be achieved from well-constructed portfolios.

Investors are finding themselves faced with the challenge of operating in a different environment

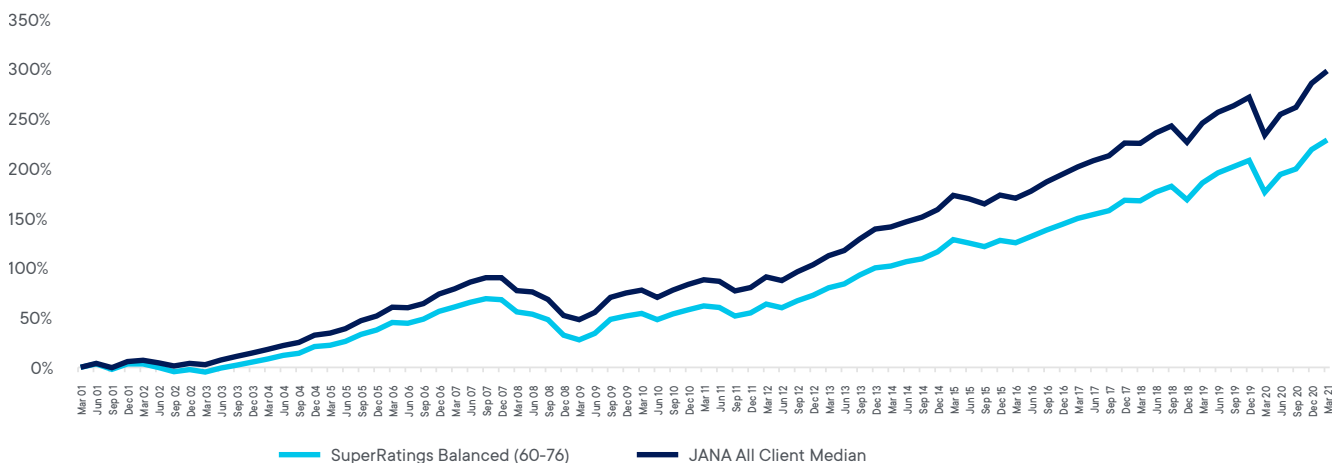
compared to 10-20 years ago, where cash and fixed interest rates meant you could play defence and still expect a reasonable return. Now, investors need to look to new areas to generate returns.

Markets are often inefficient. This provides opportunities to add value at all stages of the investment process, including active management of asset allocation, positioning within asset classes, security selection and implementation.

JANA's asset advisory capabilities and experience mean we're able to find alternate solutions in a post-cash and low interest world, designed to help clients retain capital and grow.

Our historical analysis shows that when markets have fallen, JANA-advised funds tend to outperform the market and median fund. During stronger market episodes, our clients perform more in line with market returns. JANA has always seen the value of providing downside risk protection for our clients and this has assisted clients outperform in periods of market turbulence.

Cumulative Performance of the JANA All Client Median vs. the SuperRatings Balanced (60-76) to 30 June 2020



Driving value

In changing, uncertain times, institutional investors increasingly need to lean on the experience of partners that have depth and insight.

With almost 90 institutional clients spanning superannuation, government entities, insurance firms, endowment funds (community, charitable and university trusts), long-service leave funds and family offices, JANA has this broad perspective. This is reflected in our service offering.

Service offering:

- Driving value for NFPs, including community, charity and university trusts
- Working with Australia's most successful super funds
- Providing tailored solutions for insurance and other liability-driven clients
- Growing wealth partnerships.

Driving value for NFPs

The Not-For-Profit (NFP) sector has been a big part of JANA's history and is core to our purpose of 'improving the lives of millions of people, NFP clients represent more than half of those we service. The changing world brings unique challenges for local NFPs, including interest in and pressure for responsible investing, rising costs of investment management, governance, cash flow and liquidity issues, and the need to preserve cash flow in 'down' markets. Our experience in the NFP space strongly positions JANA to advise on these issues and safeguard capital.

We've driven positive outcomes by:

- Deliberate risk management to reduce the possibility of negative returns
- Expertise and guidance to meet short term funding needs from a liquid, stable capital reverse portfolio
- Capital growth and preservation over the medium- to long-term for your surplus fund through a growth and income-oriented portfolio
- Tax efficiency and the ability to claim imputation credits.

"Knowledge and empathy go beyond the surface at JANA – these qualities sit at our core. Depth with difference means authenticity. By placing client needs and objectives at the forefront of our work, we create thoughtful and considered solutions."



– **Michael Maher**
Co-Head of NFP Consulting

Working with Australia's most successful super funds

Changes, legislated and otherwise continue to impact the superannuation space. JANA's super clients continue to benefit from over 33 years of experience and some of our clients have partnered with JANA for over 30 years.

We actively work with our super clients to achieve superior investment outcomes irrespective of market forces.

This is delivered through:

- Leveraging our global reach and unique domestic research focus on all investment and regulatory impacts
- A non-conflicted advice model, which underpins our alignment with client outcomes
- Integrating responsible investing in everything we do
- Our extensive knowledge of investment capabilities and aspirations for growth.

Providing tailored solutions for insurance and other liability-driven clients

JANA has extensive experience and a rich pedigree in providing investment strategy advice to insurers with regulatory capital requirements and to clients with complex liability arrangements. We take the time to understand the risks affecting their businesses, their risk and liability frameworks – and their typically detailed reporting requirements – to ensure we provide appropriate, tailored investment solutions to best support their businesses.

This is delivered through:

- Actuarial and investment expertise
- A strong understanding of the capital, adequacy, and prudential requirements of the sector
- Leveraging world-class business ideas to drive long-term investment results
- Tailored solutions to meet needs.

“We go the extra mile by asking the next question and not being content with the obvious answer. Working closely and collaboratively with clients ensures we fully understand the drivers behind their business and investment objectives and requirements, and can contribute meaningfully and positively to investment outcomes.”



– **Greg Wilkinson**
Senior Consultant and
Head of Insurance Strategy

Growing wealth partnerships

One of our newest and fast-growing streams is Wealth Partnership.

Leveraging the depth and breadth of JANA's research, experience and scale, we're able to deliver tailored investment consulting and managed account solutions.

We assist our Wealth Partners with:

- Building managed account portfolios
- Asset allocation input
- Analysis and review of the most suitable fund managers, including ESG capabilities
- Risk management and investment governance.

“We're bringing something new to the market beyond the single full implementation managed accounts offering. It's an approach that incorporates long and medium-term positioning, drawing on more than 30 years of insight. 85 percent of JANA's clients have stayed on for over five years, and that speaks volumes.”



– **John Ryan**
Business Development Lead
for Wealth Partnerships

Leading in a changing world



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