

Monthly Performance % - as at 30 April 2008

	NAV	April	YTD	Asset size
Offshore Feeder	\$13.60	4.21%	0.67%	\$513M
US Feeder	\$13.71	4.18%	0.59%	\$30M

We – along with all investors in Japan – were stunned by the 33% decline in the Japanese index from the high point of mid-2007 to the low in mid-March this year. We were also stunned by the 12% gain in the Topix index during April. Needless to say, we think the former was unjustified whilst the latter, though extreme, was based on sound footings. As price changes reflect the level of desperation of those wanting to sell and the willingness of those wanting to buy, the rise in April showed that the buyers collective “willingness” was very strong. The interesting aspect is that the most willing buyers appear to have been foreign investors – the very same group who had been selling for almost all of the preceding nine months which culminated in the mad rush for the exit in the second week of March.

It is possible that the same investors who had sold then became buyers, but it is also possible that one type of foreign investor threw in the towel while new ones decided Japan was cheap and presented a buying opportunity. The strong impression we have is that mutual funds, fund of funds and, needless to say, anyone borrowing to invest, have been the main foreign sellers while there has been renewed interest and some investment from pension funds and other investment groups with fewer short-term claims on their assets. Anyone who has been following the Japanese market would have been told that the market is cheap and a good buy on a number of occasions this decade (indeed people close to Optimal might have made the same claim) and we know that there are plenty who are sick of hearing it. For this group, Japan just might be a buy when the Nikkei finally gets back above its Bubble era high (39,000 or so) – such is the extent of their disappointment and resignation – but happily there are others who see the market like us and believe that cheap things eventually get bought up and make you money.

The earnings reporting season has nearly come to an end and more importantly, so have the forecasts for sales and profits in the current year (ending March 2009). It would appear that the five year run of annual profit increases will come to an end with a forecast decline in FY2008 profits of about 5%. The manufacturers are almost all predicting a drop in profits as they re-do the numbers based on a stronger Yen against the USD, Euro and – in some cases – Korean Won. Many companies

are also feeling the pinch from sharply higher costs and inflation is ticking up in Japan as well. We are not in a position yet to question the aggregate profit forecasts but will form our view in the months ahead as we get around visiting more companies and testing just what assumptions they are using. We are convinced however, that the market’s steep sell-off has discounted more than a 5% decline in profits, so do not feel that anyone could be too shocked and gloomy with the numbers that have been posted, and forecast.

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Recent 3 month Fund Exposure

% of NAV in	Feb 08	Mar 08	Apr 08
Long Stock Position	86.71	85.07	87.58
Index Futures	-37.46	-36.40	-21.22
Net Exposure	49.25	48.67	66.36

Optimal FUND MANAGEMENT

Should you wish to make an investment or further enquiry about the Optimal Japan Absolute Long Fund, please see our website – www.optimalasia.com or contact us at – optimal@optimalasia.com

Position Concentration

	Top 5	Top 10
Longs	23.62%	42.64%
Total no. positions	35	

Top Five Positions

Mitsubishi UFJ Financial Group
Fanuc
Showa Denko
Mitsubishi UFJ Lease & Finance
Nomura Holdings

Winners

Mitsubishi UFJ Financial Group
Mitsubishi UFJ Lease & Finance
Tokyo Tatemono
Mitsui Fudosan
Hitachi Construction Machinery

Losers

Nikkei 225 Index Future
Kyoei Steel
Press Kogyo
Toyota Motor
Japan Retail Fund Investment Co

Sector Exposure as at 30 April, 2008

	Longs	Shorts		Longs	Shorts
Materials	15.16%		Consumer. Non Disc		
Industrials	31.75%		Consumer Disc	12.30%	
Futures		-21.22%	Utilities		
Financials	22.71%		Telecom		
Energy			Technology	6.27%	

Historical Returns

Below we provide a table detailing the monthly returns of the Fund since its inception in September 2004.

Optimal Japan Absolute Long Fund Monthly Returns in USD (before Performance Fees) %

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2004									-1.6	-1.32	6.18	2.52	5.70
2005	1.61	2.05	-3.83	-0.47	-1.81	-0.58	1.17	6.66	9.32	-0.75	3.25	8.64	27.25
2006	3.57	1.22	3.55	2.74	-4.40	-1.32	-1.55	-0.29	-1.51	3.73	1.48	1.94	9.14
2007	1.50	3.69	-1.88	0.33	1.71	1.49	1.27	-4.97	2.18	-1.04	-5.37	-6.57	-7.97
2008	-6.00	2.60	0.15	4.21									0.67