

Monthly Performance % - as at 30 April 2010

	NAV	April	YTD	Asset size
Offshore Feeder	\$11.40	1.88%	9.09%	\$221M
Topix - <i>Topix Return is in USD unhedged using WM London 4pm close</i>		0.23%	7.70%	

It has been an uncommonly newsworthy month or so and although April was a positive month for Japan's - and most Asian - equity markets, that already seems like ancient history given the dramatic start to May. Whilst Japan has continued to be preoccupied with its usual fare of scandals and outrages involving DPJ kingpin Mr Ichiro Ozawa, elsewhere we have had a slow motion civil uprising in Thailand, a vengeful Vulcan in Iceland and European financial markets brought to their knees by the impecunious Greeks. Mr Ozawa's financial probity seems pretty small beer when compared with these issues, but (as the Japanese like to remind us) Japan is an island and has always been preoccupied with its own actions and events – irrespective of their significance on the global stage.

We recently attended an investment conference that showcased European equities on the same panel as Japanese equities on the premise that both areas face common difficulties. Both Japan and Europe have large budget deficits and growing indebtedness, low population growth and deflationary forces that need to be carefully addressed. We cannot speak for Europe, but in Japan, we do believe that at least there is a market perception of these problems that is more than a decade old, and importantly, a political structure that allows free rein on both monetary and fiscal policy. While we are steadfast critics of much that Japanese governments have done (or not done) over the past two decades, at least they face problems that are largely domestic in nature and thus politically simple. Of the large national debt that has been incurred in Japan, 95% is owed to its own citizens, a situation very different to the creditor profile of Greece and other European countries. Facing the financial and employment issues that they now do, European – and to a certain extent US – investors are unlikely to be so dismissive of Japan and the Japanese response to their deflationary crisis as they have been to date. Although we do not subscribe to the theory, if Japan is deemed to be a basket case, at least it has good company in the basket.

We have continued to run the Fund in a positive way with net exposure of 90% or more. Our long-held real estate positions worked well for us in April while our

position in Nippon Steel was a negative. It was an odd month as three of the five worst performing sectors were classic defensives (drugs, electric & gas utilities and food) while the other two were the highly cyclical external demand sectors of trading companies and steel. Real Estate was the third best gainer (up 11.3%) and broadly speaking, the domestic sectors (excluding the three defensive sectors listed above) did better than the exporters.

Profits for the financial year that ended in March have been generally very strong and the market is now able to lift its gaze over the immediate horizon of March 2011 and start trying to assess the outlook for the following year as well. By March 2012, many companies will see profits reach or exceed the previous peak year of March 2008. Most of the sectors that have done best since March 2009 are those that sell their products outside Japan. We own a good number of these in the funds, but think the greatest potential for positive surprises can be found in the domestic sectors. Partly this is due to the changes that companies need to make to cope with price deflation and partly due to our expectation that the output gap will shrink as demand grows, and anti-deflationary policies are gaining currency in political debate. Success is not certain by any means, but if it were, we would not be able to buy good companies on less than book value.

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Recent 3 month Fund Exposure

% of NAV in	Feb 10	Mar 10	Apr 10
Long Stock Position	92.63	87.74	88.11
Index Futures	-	-	-
Net Exposure	92.63	87.74	88.11

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	27.09%	43.72%
Total no. positions	36	

Top Five Positions

Mitsubishi Estate Co Ltd
Chuo Mitsui Trust Holdings Inc
Toyota Motor Corp
Hitachi Ltd
Fuji Photo Film Co Ltd

Winners

Mitsubishi Estate Co Ltd
Hitachi Ltd
Tokyo Tatemono Co Ltd
Hajime Construction Co Ltd
Chuo Mitsui Trust Holdings Inc

Losers

Nippon Steel Corp
Itochu Corp
Nippon Telegraph & Telephone Corp
Nomura Holdings Inc
Toyota Motor Corp

Sector Exposure as at 30 April 2010

	Longs	Shorts		Longs	Shorts
Materials	7.98%		Consumer. Non Disc	3.88%	
Industrials	14.32%		Consumer Disc	18.19%	
Technology	9.86%		Telecom	3.87%	
Financials	30.01%		Utilities	-	
Energy	-				

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	Topix ¹ YTD
2004									-1.6	-1.32	6.18	2.52	5.70	8.16
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	24.59
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	0.94
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	-6.37
2008	-6.00	2.60	0.15	4.21	1.40	-9.57	-3.85	-7.26	-5.49	-5.14	-4.01	8.78	-22.95	-28.24
2009	-5.28	-11.56	3.78	4.75	9.49	2.12	3.11	4.76	-3.58	-2.26	-2.78	-0.38	0.38	2.85
2010	2.58	0.19	4.19	1.88									9.09	7.70

¹ Topix Return is in USD unhedged using WM London 4pm close