

Monthly Performance % - as at 30 January 2009

	NAV	January	YTD	Asset size
Offshore Feeder	\$9.86	-5.28%	-5.28%	\$222M
US Feeder	\$10.03	-4.48%	-4.48%	\$10M

For everyone hoping that 2009 would start afresh by ruling a line under the extreme weakness of equities in 2008, January was a rude shock. With the exception of China's, all equity markets started the year with big falls. Japan's Topix index fell 7.6% to close at 794, leaving it just 6 points above the lowest month-end low this decade (788 in March 2003) but still above the 746 bottom marked on October 27th last year. There is little value in recounting all the bad news as it has already received blanket coverage by the predictably morbid media, but the interest lies in the divergent returns amongst the major sectors of the market.

Since the late October low, the best performance has come from the decidedly cyclical sectors such as oil & coal, paper & pulp, shipping, non-ferrous metals and machinery. The worst has been from financial sectors such as brokers, other finance (leasing and consumer loans) and real estate. By contrast, the classic defensive out-performers of 2008 – railways, foods, pharmaceuticals and electric power & gas – have started the year poorly. What does this tell us? It is tempting to ascribe great significance to this as Mr Market has a collective wisdom far in excess of that of the individual participants. These cyclical sectors began falling hard well before the companies concerned began to tell of slowing or cancelled orders and revising down their profit forecasts. If the market has begun to buy them, does this tell us that the torrent of bad news and downgrades has been factored in and the improvement in demand might not be far away? We know that we were late selling down our cyclicals in 2007-2008 and that past experience tells us that these stocks are buys well before the outlook has clearly improved. Our hesitancy now is due to doubts that our own "past experience" may not be as relevant given the current extreme financial crisis, but just as it is risky to rely on the "it's different this time" defense when in bull markets, the same applies in bear ones.

In a month when only one of the thirty three index sectors rose, it is no surprise that our worst contributors were our biggest holdings. Three of our top five (i.e. positive) stocks were cyclicals and at mid-February, that pattern of gains has continued. Overall, however, the fund is still positioned cautiously with a considerable cash position.

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Recent 3 month Fund Exposure

% of NAV in	Nov 08	Dec 08	Jan 09
Long Stock Position	62.89	59.29	60.3
Index Futures	-9.81	-	-
Net Exposure	53.08	59.29	60.3

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	25.61%	42.64%
Total no. positions	23	

Top Five Positions

Yamada Denki
Fanuc
NTT Co

Mitsui Fudosan
Nintendo

Winners

Hitachi Metals
Tokyo Electron
Japan Retail Fund Investment
Mitsubishi materials
Nissha Printing

Losers

Mitsui Fudosan
Yamada Denki
Fanuc

Tokyo Tatemono
Nintendo

Sector Exposure as at 30 January 2009

	Longs	Shorts		Longs	Shorts
Materials	2.71%		Consumer. Non Disc	2.23%	
Industrials	9.80%		Consumer Disc	15.57%	
Technology	8.89%		Utilities	-	
Financials	15.42%		Telecom	5.68%	
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
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	1.40	-9.57	-3.85	-7.26	-5.49	-5.14	-4.01	8.78	-22.95
2009	-5.28												-5.28