

Monthly Performance % - as at 31 July 2008

| | NAV | July | YTD | Asset size |
|-----------------|---------|--------|---------|------------|
| Offshore Feeder | \$11.99 | -3.85% | -11.25% | \$449M |
| US Feeder | \$12.12 | -3.81% | -11.08% | \$27M |

We mentioned in the last report that bear markets inevitably lead one to compare one's own funds' investment returns relative to that of other assets rather than in an absolute sense. There is perverse comfort from seeing that no matter how bad one's own market (or fund) return has been, somewhere else has been worse. It is a stark reminder just how widespread the pain has been this year when comparing market returns year-to-date. To the end of July, Japan is down 11.7% in Yen, and 7.7% in USD. The S&P 500 is down 14.3%, the FTSE 100 is -16.4% and other developed markets are as bad, and often worse. Disproving the theory that emerging countries would disengage from the woes in the Old World, India is off 28.7% and the Shanghai Composite index has fallen 47.2%. The Asian benchmark index (MSCI Asia Pac Ex Japan) is down 20.7% over the period and shows just how few places there are to hide in the world of listed Asian equities.

The profit reporting season for Q1 FY08 (i.e the June quarter) is mostly over and results seem to be slightly worse than forecast. Nomura's NRI 400 (ex financials) Index has seen a 15% decline in recurring profits (RP) versus the previous year. Much of this is due to the stronger Yen and to a lesser extent, the rise in oil. With the recent Yen weakness however, full year numbers do not look so daunting and companies have generally left H1 and full year forecasts unchanged. Nomura now expect a full year fall in RP of 3-4% whereas they had earlier estimated this at a 1-2% decline. We will be able to give a full and final round-up on profits in the report next month.

The Japanese Topix index was off by 5.3% at mid-July but recovered most of the losses to finish with a monthly decline of "only" 1.3% (-2.9% in USD). As anyone who follows the market could guess, foreigners were sellers while trust banks and Japanese corporations were buyers. Interestingly, the Yen weakened against the USD in July (and has fallen more in August) and in a telling indicator of the liquidity crisis in US and European banks, Japanese Samurai Bond issuance was the highest ever. Foreign borrowers are tapping Japanese lenders and (so I am told by currency people) in swapping the Yen liability, they sell Yen and buy dollars. There is little doubt that Japan is becoming a vital source of new lending to the corporate sector and this complements its long-held role of being a supplier of capital to governments through treasury bond purchases and foreign equity markets through the investment trust industry. Once upon a time, Japanese banks were suppliers of capital to their own equity market, but that role has long been shunned in favour of overseas investment. Given the dismal returns from most asset classes globally over the past ten years, one can only wonder for how much longer this practice shall continue.

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Recent 3 month Fund Exposure

| % of NAV in | May 08 | Jun 08 | July 08 |
|---------------------|--------|--------|---------|
| Long Stock Position | 89.87 | 89.79 | 91.24 |
| Index Futures | -16.19 | -16.80 | -16.88 |
| Net Exposure | 73.68 | 72.99 | 74.36 |

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 | 23.09% | 42.91% |
| Total no. positions | 36 | |

Top Five Positions

Mitsubishi UFJ Financial Group
Sumitomo Co
Fanuc
Mitsubishi UFJ Lease & Finance Company
Sumitomo Mitsui Financial Group

Winners

Mitsui Fudosan

Tokyu Co
Sumitomo Metal Industries
Sumitomo Co

Sumitomo Mitsui Financial Group

Losers

Fanuc

Tokyo Tatemono
Mitsubishi Corp
Tadano

Mitsubishi Electric

Sector Exposure as at 31 July 2008

| | Longs | Shorts | | Longs | Shorts |
|-------------|--------|---------|--------------------|--------|--------|
| Materials | 11.40% | | Consumer. Non Disc | | |
| Industrials | 34.70% | | Consumer Disc | 14.34% | |
| Futures | | -16.88% | Utilities | | |
| Financials | 25.30% | | Telecom | | |
| Energy | | | Technology | 5.50% | |

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 | | | | | | -11.25 |