

Monthly Report to Shareholders of the Optimal Japan Absolute Long Fund 8th April, 2005

	OJAL NAV*	Performance
31 March 2005	\$10.54	-3.83

* Price is NAV after performance fee at the Fund level but is subject to equalisation at the investor level.

March saw a daily stream of articles in the Nikkei Financial newspaper detailing unofficial profit forecasts for Japanese companies in FY2004. The vast majority of companies use a March year-end so the Nikkei's numbers will be close to the eventual result – though not, it must be said, as uncannily accurate as the Chinese government's economic statistics forecasting. Profits growth in FY 2004 will be in the order of 20% and that is almost double the rate of growth forecast a year ago. Japanese companies have not only succeeded in holding costs down, they have also generated increased revenue, and the combination has been a powerful tonic for profits. As was the case this time last year, the consensus forecast for profit growth for the year ahead is a modest 5-8%.

Early in March, the Topix index set a new record for the number of consecutive daily gains (eight in fact - from 24th Feb to 7th March) and then promptly lost nerve at being so isolated in the stratosphere and crept back to safety in the second half of the month. The index gain was 0.4% in March and brings the first quarter's rise to a very solid – if unexciting – 2.8%. If one had been clever enough to have been only in small caps, Q1 would have been a great deal more exciting as the Topix Small index rose 11.1%. After an extended period of serious outperformance, we do not believe small caps in Japan offer any greater attractions than the larger caps, and took the opportunity to sell out of three or four of our smaller names in March. Our performance was hampered by the fact that most of the weakest sectors were ones where we are positive but we were helped by the often overlooked dividend income as many stocks went ex-div on March 28th.

During March, we raised the fund's net exposure to almost 92% - the highest level we have had since inception in September 2004. As central bankers might say, "barring unforeseen setbacks, we have a positive expectation for the Japanese equity market over the coming months".

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Major Positions

Toyota Motor, Mitsubishi Co, Tokyo Tatemono, Mizuho Financial

Month-end investments (as % NAV): 91.35%

Fund size: US\$ 14.4mil

Total number of positions: 26

Top 5 positions:

	% of NAV
Toyota Motor	6.45%
Mizuho Financial	5.85%
Mitsui Fudosan	5.55%
Mitsubishi Co	5.41%
Nippon Mining	5.20%
Total	28.46%

Best Performers: Tokyo Tatemono, TOC, Sumitomo Metal Mining

Worst Performers: JFE Holdings, Toyota Motor, Nippon Mining

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 Net Monthly Returns in USD													
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										-0.28

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