

Monthly Performance % - as at 30 November 2007

	NAV	November	YTD	Asset size
Offshore Feeder	\$14.46	-5.37%	-1.50%	\$604M
US Feeder	\$14.56	-5.45%	-0.82%	\$33M

The Fund held an EGM in Hong Kong on December 3rd where shareholders approved changing the Fund's dealing frequency from weekly to monthly. This will take effect from the start of January 2008 and brings the Fund into line with other funds managed by Optimal Fund Management. The Investment Manager wishes to thank those shareholders who voted in support of the resolution and apologises for any inconvenience to those that were not in favour of the change.

As we noted in last month's report, November got off to a bad start. So bad in fact, that by the 22nd, the benchmark Topix index had fallen over 11% and – as an example of a favourite company of ours – Hitachi Construction Machinery (HCM) was down 22%. In the end, HCM finished November only down 15% whilst its bigger rival Komatsu was 12% cheaper than it had started the month at. Given that the Fund counts these two stocks amongst its largest holdings, one can see that we were not going to have a good month. Although the Topix index did rally in the last week or so and finished 5.4% lower for the month, nine of the thirty three Topix industry indices fell by more than 10% and of those nine, four were sectors in which we had significant positions. The Japanese market's singular weakness since mid 2007 is obviously disappointing but more than a little baffling at the same time. We must admit that both our stance on the market – reflected in the high exposure that the Fund has run – and our stock selection have been mistakes we would love to have avoided, but to recover the losses the Fund has incurred, it would be wrong to change course now by cutting exposure and diving into the better performing sectors.

If Japanese financial institutions had been big holders of the Sub-prime assets and SIVs, one could understand the desire to cut and run, but this is not the case. For once, the Japanese banks seem likely to come out of a global financial mess smelling of roses – relatively speaking. In general, profits are growing at a very healthy clip and Japan continues to see an improvement in corporate profit margins, returns on assets and RoE. Like all countries in Asia, there will be consequences for Japanese exporters if the US economy runs

aground, but the dependence on external trade in Japan's national accounts is far lower than most countries in the region.

So who was selling the market in November? The two big sellers have been "Members' accounts" which is TSE speak for proprietary trading and "foreigners". Foreigners' activity in the Japanese market in the past couple of years has been a case study in following momentum. After a big rise in the index in 2005, there was massive foreign buying in late '05 and early '06. After a relatively poor 2006 and a worse 2007, we have seen large scale selling. It is interesting to contrast this with the behaviour of the domestic pension funds who in November bought more Japanese equities than they had done for the past five years. Japanese companies have continued to buy back stock in significant amounts and the pension funds seem to have finally rediscovered their mojo. For an investor group that habitually gets little respect, the November buying by Japanese pension funds might well be the long awaited signal that the locals have decided that they can now buy the market cheaply enough to warrant an increase in their equity weightings. We will watch this closely, but believe they have made a decisive and sensible move back into a much maligned asset class.

We wish to inform our investors that our Tokyo team has now been officially incorporated as Optimal Fund Management Japan KK – a wholly owned subsidiary of Optimal Fund Management Pty Limited – and has taken new premises in "Killer Dori" in Aoyama. The new address is shown below while our Japanese colleague's new emails are:

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Recent 3 month Fund Exposure

% of NAV in	Sept 07	Oct 07	Nov 07
Long Stock Position	90.33	91.97	97.16
Index Futures			
Net Exposure	90.33	91.97	97.16

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	25.95%	46.26%
Total no. positions	36	

Top Five Positions

Komatsu Ltd
Suzuki Motor
Toyota Motor
Fanuc
Mitsubishi UFJ Financial Group

Winners

Yamada Denki
Tokyu Corp
Press Kogyo
Ushio
Izumi

Losers

Taiheyo Cement
Sumitomo Corp
Komatsu Ltd
Showa Denko
Hitachi Construction Machinery

Sector Exposure as at 30 November, 2007

	Longs
Materials	14.2%
Industrials	36.5%
Futures	
Financials	20.4%
Energy	

	Longs
Consumer. Non Disc	
Consumer Disc	20.6%
Utilities	
Telecom	
Technology	5.5%

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		-1.50