Monthly Report to Shareholders of the Optimal Japan Absolute Long Fund – *November 2008*

Optimal FUND MANAGEMENT

Monthly Performance % - *as at 28 November 2008*

	NAV	November	YTD	Asset size
Offshore Feeder	$9.57	-4.01%	-29.16%	$223M
US Feeder	$9.69	-4.15%	-28.91%	$21M

The pattern of recent months – in fact of the past year – continued in November. Foreign investors in Japan again sold heavily (over JPY 1 trillion – almost $11bn) and have now sold almost JPY3tn (net) in 2008. The value of Japanese equities owned by foreigners would have halved in 2008, but that is pretty standard in equity markets this year. More interesting will be to see what the change is in aggregate foreign shareholding and especially in the manufacturing and other cyclical sectors. Also maintaining their selling stance are "Proprietary Traders" and given global financial de-leveraging, little hope should be held out for them to become significant buyers again any time this decade.

Standing resolutely on the bid side of the exchange are our three major domestic investor groups – Trust Banks (pension funds), Businesses (corporate share buy backs) and Individuals. We are convinced that no really solid recovery in the Japanese equity market can take place unless Japanese individual investors are in the vanguard and we are genuinely impressed and excited by this emergence of risk appetite evidenced by 2008's buying. With no personal debt, houses that have already been written down and long since lost their role as "collateral", a strong currency and a need for solid compound returns to help fund their retirement incomes, it is amazing to us that Japanese investors have held back for so long. Maybe they were the smart asset allocators after all.

We are disappointed by our performance in November given the low net exposure we began - and ended – with. Most of it is explained by poor performance from our selected stocks, although these had worked well for us in the past few months. Over the three months to end November, the Optimal Absolute Long Fund's NAV fell 13.94% against the Topix index decline (in USD) of 24.3%. In November, the Topix Core 30 index fell 9.8% against a broad (Topix) decline of 3.7%. The Core 30 is a capitalisation-weighted index that tracks the performance of the thirty largest and most liquid stocks in the market. It probably reflects the heavy selling by foreigners during the month. Notwithstanding that we only held three of the thirty constituent stocks, our return was hurt nonetheless by our holdings in real estate, leasing and securities companies. In a reversal of the previous year, cyclical sectors were in the best performers in November (i.e paper up 21% and machinery up 7%) and domestics – especially financials – were the worst. Any "trends" in the markets this year have been short and easily derailed, so the question is whether this is a flash in the pan or the start of the bottoming process. I want to believe it is the latter.

Equity investors in most markets are becoming familiar with secondary issues and other equity-linked capital raisings as bank finance gets tougher to secure and more expensive. Japan is not immune to this either, and we have already had an equity placement from MUFJ (bank) and another announced by their rival SMFG. The good news is that in Japan, both bank lending and equity financing are increasing – showing that capital is available at a price. Not all markets are in the same position where both debt and equity funding is possible. Japan's banking crisis began in 1997 when the first of the big bankruptcies took place (Long Term Credit Bank, Hokkaido Takushoku Bank, Yamaichi Securities and more) and Japanese companies' long term journey to decent returns on assets and equity began at around the same time. As developed (and some developing) economies are now facing the same problems Japan had a decade ago, we believe that rather than being a laggard, Japan is actually ahead in this process with cashed up and un-leveraged corporate balance sheets. The possibility that they again snatch defeat from the jaws of victory is unfortunately a permanent fear for those of us with long experience of investing in Japan, but the increased demand for bank loans, ongoing purchase and cancellation of their own stock and rational M&A activity overseas leads us to believe that we should be confident that the outlook is attractive for equity returns in Japan in the coming years.

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Recent 3 month Fund Exposure

% of NAV in	Sept 08	Oct 08	Nov 08
Long Stock Position	69.41	59.99	62.89
Index Futures	-17.18	-14.51	-9.81
Net Exposure	52.23	45.48	53.08

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	27.65%	45.08%
Total no. positions	25	

Top Five Positions

Sony Co CB
Fanuc
Yamada Denki
NTT Co
Mitsui Fudosan

Winners

NTT
Rengo
Kirin Brewery
Taiheiyo Cement
Tadano

Losers

Mitsubishi UFJLease & Finance
Nikkei 225 Dec Future
Tokyo Tatemono
Mitsui Fudosan
Fanuc

Sector Exposure as at 28 November 2008

	Longs	Shorts
Materials	4.45%	
Industrials	10.53%	
Technology	6.60%	
Financials	13.01%	
Energy	-	

	Longs	Shorts
Consumer. Non Disc	1.0%	
Consumer Disc	22.50%	
Utilities	-	
Telecom	4.79%	
Futures	-	-9.81%

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		-29.16