

**Monthly Report to Unitholders of the
Optimal Japan Trust
11th May, 2006**

Date	NAV	Monthly % Return*
28 April 2006	A\$ 17.58	+0.34%

* After all fees

* NAV is ex-distribution of **A\$ 1.4218 (for Yr to 6/05)** A\$0.4713 (for Yr to 6/04) A\$ 0.8983 (for Yr to 6/02) A\$0.8989 (for Yr to 6/01) and A\$ 1.4158 (for Yr to 6/00)

* Returns are based on the redemption price of the initial series

It has been an inconclusive start to the year with the Topix index up “only” 4.5% after four months. Annualising that number would produce a very respectable 14% return but when other developed markets have already achieved gains of 11% (Germany), 10% (France), 9% (UK) & 7% (USA), Japan’s sub-5% return looks disappointing. Within the Asia-Pacific markets Japan also fares poorly as the main index (MSCI Asia-Pac ex Japan) has chalked up 16% and Jakarta and Mumbai shone with 26% returns. While news on the economic and corporate fronts in Japan has been largely good, the index now is where it was at the start of February and some doubts must be creeping in. Corporate profits have been on a long, strong, journey of recovery for the last eleven years and shares have doubled since the lows (“never to be seen again”) of March 2003. Foreigners now own around 25% of stocks listed on the Tokyo Stock Exchange and have been huge buyers as the recovery grew more obvious. Some of them, however, do get bored if the returns from their Japanese incursions prove inadequate – or fail to meet their lofty expectations – and we saw bouts of heavy foreign selling in the second half of 2004 and early 2005 as the Japanese index marked time. If Japan continues to perform poorly on a relative basis, I would not be surprised to see the same thing happen again. It proved to be a good time for selective buyers.

In the USA, April proved to be an epoch-making month as the term “Big Three” acquired a distinctly Asian flavour. Toyota’s share of the US car market rose to 15.2% and pushed Chrysler down to fourth spot. GM still ranks a clear first with 23.5%, Ford stays in second with 18% but the gap between them and Toyota is rapidly closing. In total, Japanese auto makers now share 35% of all car sales in the USA and with their lead in hybrid engine development, this number is sure to grow. We were surprised when GM sold their finance arm recently as it seemed that their future might have been in the distribution and financing of cars – other makers’ cars – but that is clearly not the ambitions of their board. We cheer for the underdog as loudly as the next man and would love to see a resurgent GM and Ford back in the driver’s seat (sorry!) again, but in the meantime we are firmly on the Japanese auto bandwagon (sorry again!) and have exposure in the fund with Toyota, Suzuki and related companies such as Press Kogyo, Taikisha and Makino Milling. The enormous cashflow of Toyota is funding Y1.55tn (US\$14bn) of capex in the year ahead and the opportunities in Asia for the broader Japanese auto industry are growing rapidly. The more cars they make, the more steel that is needed from the big Japanese blast furnace companies, so it is hard to get bearish on high quality steel producers while car production keeps expanding. JFE and Nippon Steel remain important holdings in the funds.

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Optimal FUND MANAGEMENT

Important: The Optimal Japan Fund and Optimal Japan Trust are not accepting new investments. The administrator (HSBC Institutional Trust Services) will only accept applications for investment from those with agreements with the manager.

To finish on an administrative matter, we wish to stress that any applications for redemptions or subscriptions in our funds that come in to HSBC Institutional Trust Services (Asia) after the dealing deadline will be rejected. Please visit our website www.optimalasia.com for related information and we encourage you to contact us through the web-site.

Positive contributors (long) Star Micronics, Diamond Lease, Tokyo Tatemono, Toyota Motor
(short) KK Davinci, Kaneka Co, Advantest Co

Negative contributors (long) Sumitomo Trust & Banking, JFE Holdings, Ushio
(short) Goldcrest, Ajinomoto, Murata

Major Positions

Sumitomo Metal Mining, Kubota, Sumitomo Trust & Banking, Sumitomo Co, Mitsubishi Co

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Optimal FUND MANAGEMENT

Return Snapshot	
Period	%(AUD)
Year to Date Return	6.48
Return since inception Inception 20 Dec, 1999	126.86
Fund size at 28 Apr 06	AUD 68.4 mil

Portfolio Composition at Month End			
% of NAV	Feb 06	Mar 06	Apr 06
Long Stock Position	76.16	83.76	81.09
Short Stock Position	(20.02)	(21.22)	(19.31)
Index Futures			
Equity Derivatives			
Net Exposure	56.14	62.54	61.78

Historical Returns

Below we provide a table detailing the monthly returns of the Fund since its inception in December 1999. The returns are of the Trust's Initial Series

Optimal Japan Trust Net Monthly Returns in AUD													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
1999												0.58*	0.58
2000	-0.32	12.76	8.99	-1.53	2.45	11.82	-9.05	4.02	-0.37	0.90	-0.18	-3.86	26.63
2001	-2.34	3.13	1.36	8.46	-2.14	3.96	-2.88	1.49	-3.58	1.77	-3.89	-5.46	-0.25
2002	1.10	1.47	2.07	-0.26	7.2	-2.9	-1.43	-1.47	2.04	-4.47	-3.65	-0.42	-0.59
2003	1.80	1.98	0.41	-0.20	2.55	3.97	1.91	5.90	3.81	3.58	-1.73	3.02	30.43
2004	-0.33	1.22	7.01	0.23	-1.20	3.67	-2.26	4.03	0.82	-1.55	1.65	1.92	15.95
2005	2.83	2.05	0.0	-0.13	1.04	1.37	2.38	4.15	6.71	1.31	2.39	4.30	30.03
2006	1.82	0.42	3.79	0.34									6.48

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