

Monthly Performance % - as at 30 April 2008

NAV	April	Financial YTD	Asset size
A\$12.68	6.20%	-15.64%	A\$59M

We – along with all investors in Japan – were stunned by the 33% decline in the Japanese index from the high point of mid-2007 to the low in mid-March this year. We were also stunned by the 12% gain in the Topix index during April. Needless to say, we think the former was unjustified whilst the latter, though extreme, was based on sound footings. As price changes reflect the level of desperation of those wanting to sell and the willingness of those wanting to buy, the rise in April showed that the buyers collective “willingness” was very strong. The interesting aspect is that the most willing buyers appear to have been foreign investors – the very same group who had been selling for almost all of the preceding nine months which culminated in the mad rush for the exit in the second week of March.

It is possible that the same investors who had sold then became buyers, but it is also possible that one type of foreign investor threw in the towel while new ones decided Japan was cheap and presented a buying opportunity. The strong impression we have is that mutual funds, fund of funds and, needless to say, anyone borrowing to invest, have been the main foreign sellers while there has been renewed interest and some investment from pension funds and other investment groups with fewer short-term claims on their assets. Anyone who has been following the Japanese market would have been told that the market is cheap and a good buy on a number of occasions this decade (indeed people close to Optimal might have made the same claim) and we know that there are plenty who are sick of hearing it. For this group, Japan just might be a buy when the Nikkei finally gets back above its Bubble era high (39,000 or so) – such is the extent of their disappointment and resignation – but happily there are others who see the market like us and believe that cheap things eventually get bought up and make you money.

The earnings reporting season has nearly come to an end and more importantly, so have the forecasts for sales and profits in the current year (ending March 2009). It would appear that the five year run of annual profit increases will come to an end with a forecast decline in FY2008 profits of about 5%. The manufacturers are almost all predicting a drop in profits as they re-do the numbers based on a stronger Yen against the USD, Euro and – in some cases – Korean Won. Many companies are also feeling the pinch from sharply higher costs and

inflation is ticking up in Japan as well. We are not in a position yet to question the aggregate profit forecasts but will form our view in the months ahead as we get around visiting more companies and testing just what assumptions they are using. We are convinced however, that the market’s steep sell-off has discounted more than a 5% decline in profits, so do not feel that anyone could be too shocked and gloomy with the numbers that have been posted, and forecast.

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Recent 3 month Fund Exposure

% of NAV in	Feb 08	Mar 08	Apr 08
Long Stock Position	75.04	76.96	77.10
Short Stock Position	-17.95	-20.54	-20.91
Index Futures	-37.19	-37.67	-23.08
Equity Derivatives	-6.96		
Net Exposure	12.95	18.75	33.11

Optimal FUND MANAGEMENT

Should you wish to make an enquiry about the Optimal Japan Trust, please see our website – www.optimalasia.com or contact us at – optimal@optimalasia.com

Position Concentration

	Top 5	Top 10
Longs	21.07%	38.07%
Shorts	-7.89%	-14.07%
Total no. positions	52	

Top Five Positions

Mitsubishi UFJ Financial Group
Fanuc

Sumitomo Co
Mitsui Fudosan
Hitachi Construction Machinery

Winners

Mitsubishi UFJ Financial Group
Mitsubishi UFJ Lease & Finance
Tokyo Tatemono
Mitsui Fudosan
Hitachi Construction Machinery

Losers

Nikkei 225 Index Future

TDK

KK Davinci Advisors
Kyoei Steel
Kawasaki Kisen

Sector Exposure as at 30 April, 2008

	Longs	Shorts	Net
Materials	12.60%	-4.28%	8.32%
Industrials	28.84%	-2.39%	26.45%
Futures	-	-23.08%	-23.08%
Financials	20.06%	-4.07%	15.99%

	Longs	Shorts	Net
Consumer Non Disc	-	-2.17%	-2.17%
Consumer Disc	9.58%	-6.33%	3.24%
Options	-	-	-
Technology	5.35%	-1.49%	3.86%

Historical Returns - Distributions Reinvested

Optimal Japan Trust Net Monthly Returns in AUD %

The table below outlines the monthly returns of the Fund's Series 1 since its inception in August 2002.

Year to June	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD
2002													
2003			1.68	-4.38	-3.66	-0.42	1.80	1.98	0.41	-0.10	2.55	3.48	3.06
2004	1.54	5.20	3.86	3.55	-1.67	3.06	-0.33	1.24	7.11	0.15	-1.14	3.93	29.47
2005	-2.14	4.01	0.23	-1.21	1.30	1.51	2.74	2.02	0.07	-0.14	0.99	1.47	11.24
2006	1.81	3.68	6.81	1.36	2.41	4.38	1.82	0.43	3.86	0.35	-4.05	0.18	25.14
2007	-0.79	1.43	0.13	2.10	0.77	2.49	1.99	0.55	-1.03	1.35	3.45	2.28	15.66
2008	-0.87	-6.98	1.88	0.35	-6.70	-4.69	-6.67	2.21	-0.67	6.20			-15.64

Annual Distributions

Year to 6/07 A\$2.4179	Year to 6/05 A\$1.4218	Year to 6/02 A\$ 0.8983	Year to 6/00 A\$1.4158
Year to 6/06 A\$ 1.24	Year to 6/04 A\$0.4713	Year to 6/01 A\$0.8989	

The table below outlines the monthly returns of the Fund's Initial Series since its inception in December 1999.

2000						0.58	-0.32	12.76	8.99	-1.53	2.45	11.82	39.0
2001	-9.05	4.02	-0.37	0.90	-0.18	-3.86	-2.34	3.13	1.36	8.47	-2.14	3.96	2.82
2002	-2.88	1.49	-3.58	1.77	-3.89	-5.46	1.10	1.47	2.07	-0.26	7.13	2.92	-4.55
2003	-1.46	-1.39	2.04	-4.47	-3.65	-0.44	1.80	1.98	0.41	-0.20	2.65	3.97	0.89
2004	1.91	5.90	3.81	3.58	-1.73	3.02	-0.33	1.22	7.01	0.23	-1.20	3.95	30.56
2005	-2.26	4.03	0.82	-1.55	1.65	1.92	2.83	2.05	0.00	-0.14	1.04	1.37	12.22
2006	2.38	4.15	6.71	1.31	2.39	4.30	1.82	0.42	3.79	0.34	-4.04	0.24	26.09
2007	-0.77	1.46	0.13	2.72	0.99	2.62	1.96	0.58	-0.99	1.35	3.47	2.23	16.82
2008	-0.89	-6.99	1.85	0.40	-6.68	-4.73	-6.62	2.17	-0.71	6.19			-15.69