

**Monthly Performance % - as at 30 April 2010**

NAV	April	YTD	Asset size
A\$11.17	2.76%	3.62%	A\$44M

It has been an uncommonly newsworthy month or so and although April was a positive month for Japan's and most Asian equity markets, that already seems like ancient history given the dramatic start to May. Whilst Japan has continued to be preoccupied with its usual fare of scandals and outrages involving DPJ kingpin Mr Ichiro Ozawa, elsewhere we have had a slow motion civil uprising in Thailand, a vengeful Vulcan in Iceland and European financial markets brought to their knees by the impecunious Greeks. Mr Ozawa's financial probity seems pretty small beer when compared with these issues, but (as the Japanese like to remind us) Japan is an island and has always been preoccupied with its own actions and events – irrespective of their significance on the global stage.

We recently attended an investment conference that showcased European equities on the same panel as Japanese equities on the premise that both areas face common difficulties. Both Japan and Europe have large budget deficits and growing indebtedness, low population growth and deflationary forces that need to be carefully addressed. We cannot speak for Europe, but in Japan, we do believe that at least you have a market perception of these problems that is more than a decade old, and importantly, a political structure that allows free rein on both monetary and fiscal policy. While we are steadfast critics of much that Japanese governments have done (or not done) over the past two decades, at least they face problems that are largely domestic in nature and thus politically simple. Of the large national debt that has been incurred in Japan, 95% is owed to its own citizens, a situation very different to the creditor profile of Greece and other European countries. Facing the financial and employment issues that they now do, European – and to a certain extent US – investors are unlikely to be so dismissive of Japan and the Japanese response to their deflationary crisis as they have been to date. Although we do not subscribe to the theory, if Japan is deemed to be a basket case, at least it has good company in the basket.

We have continued to run the Fund in a positive way with net exposure of 50% or more. Our long-held real estate positions worked well for us in April while our position in Nippon Steel was a negative. It was an odd month as three of the five worst performing sectors were classic defensives (drugs, electric & gas utilities

and food) while the other two were the highly cyclical external demand driven sectors of trading companies and steel. Real Estate was the third best gainer (up 11.3%) and broadly speaking, the domestic sectors (excluding the three defensive sectors listed above) did better than the exporters.

Profits for the financial year that ended in March have been generally very strong and the market is now able to lift its gaze over the immediate horizon of March 2011 and start trying to assess the outlook for the following year as well. In the year to March 2012, many companies will see profits reach or exceed the previous peak year of March 2008. Most of the sectors that have done best since March 2009 are those that sell their products outside Japan. We own a good number of these in the funds, but think the greatest potential for positive surprises can be found in the domestic sectors. Partly this is due to the changes that companies need to make to cope with price deflation and partly due to our expectation that the output gap will shrink as demand grows, and anti-deflationary policies are gaining currency in political debate. Success is not certain by any means, but if it were, we would not be able to buy good companies on less than book value.

**SYDNEY:** Level 5, Wyoming, 175 Macquarie St, Sydney NSW 2000 **Phone:** 61 2 8239 3300 **Fax:** 61 2 8239 3333 **Email:** optimal@optimalasia.com

**TOKYO:** KS Building 10th Floor, 2-9 Minami Aoyama 6-chome, Minato-ku, Tokyo 107-0062 **Phone:** 81 3 5774 6507 **Fax:** 81 3 5774 6508

**DISCLAIMER:**

This Material is for your private information and we are not soliciting any action based upon it. Opinions expressed are our opinions only. The material is based upon information, which we consider reliable, but we do not represent that it is accurate or should not be relied upon as such. Past performance is not an indication of future performance. This material is not intended for distribution in Japan or for Japanese domiciled entities.

## Recent 3 month Fund Exposure

% of NAV in	Feb 10	Mar 10	Apr 10
Long Stock Position	89.28	77.83	82.92
Short Stock Position	-9.84	-10.13	-9.85
Index Futures	-24.54	-22.24	-21.14
Equity Derivatives			
Net Exposure	54.90	45.46	51.93

## Optimal FUND MANAGEMENT

*Should you wish to make an enquiry about the Optimal Japan Trust, please see our website – [www.optimalasia.com](http://www.optimalasia.com) or contact us at – [optimal@optimalasia.com](mailto:optimal@optimalasia.com)*

## Position Concentration

	Top 5	Top 10
Longs	23.97%	39.67%
Shorts	-9.28%	-
Total no. positions	44	

## Top Five Positions

Mitsubishi Estate Co Ltd  
 Toyota Motor Corp  
 Chuo Mitsui Trust Holdings Inc  
 Hitachi Ltd  
 Fuji Photo Film Co Ltd

## Winners

Hitachi Ltd  
 Tokyo Tatemono Co Ltd  
 Mitsubishi Estate Co Ltd  
 Hajime Construction Co  
 Tokyo Electron Ltd

## Losers

Nippon Steel Corp  
 Itochu Corp  
 Nomura Holdings Inc  
 Nippon Telegraph & Telephone Corp  
 Toyota Motor Corp

## Sector Exposure as at 30 April 2010

	Longs	Shorts	Net
Materials	6.74%	-	6.74%
Industrials	13.25%	-0.57%	12.68%
Technology	12.02%	-2.27%	9.74%
Financials	26.81%	-	26.81%

	Longs	Shorts	Net
Consumer Non Disc	3.48%	-4.32%	-0.84%
Consumer Disc	16.82%	-	16.82%
Telecommunication	3.80%	-2.69%	1.11%
Futures	-	-21.14%	-21.14%

## Performance Contribution

	Longs	Shorts	Futures	Other	FX Forwards	Total
	2.59%	0.24%	0.11%	-0.18%	NA	2.76%

## 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	1.34	-5.91	-19.57
2009	-0.83	-5.34	-0.09	-0.44	-6.38	3.22	-1.74	-2.15	1.91	0.47	0.84	-0.46	-10.84
2010	0.28	2.59	-4.87	-0.66	-5.15	3.02	1.95	-1.53	5.74	2.76			3.62

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	1.42	-5.97	-19.60
2009	-0.78	-5.37	-0.08	-0.42	-6.38	3.23	-1.74	-2.21	1.90	0.53	0.79	-0.44	-10.82
2010	0.26	2.54	-4.79	-0.72	-5.15	3.05	1.94	-1.54	5.81	2.70			3.60

## Optimal FUND MANAGEMENT

*Should you wish to make an investment or further enquiry about the Optimal Japan Trust, please see our website – [www.optimalasia.com](http://www.optimalasia.com) or contact us at – [optimal@optimalasia.com](mailto:optimal@optimalasia.com)*