

Monthly Report to Unitholders of the Optimal Japan Trust 9th February , 2005

Date	NAV	Monthly % Return*
31 January 2005	A\$14.18	2.83

* After all fees

* NAV is ex-distribution of 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

Contribution – Longs & Shorts

	Nov04	Dec04	Jan05
Topix %	1.23	4.63	-0.30
OJF longs %	5.91	3.95	2.80
OJF shorts %	-2.75	-2.65	0.15

Important: The Optimal Japan Fund and Optimal Japan Trust are both hard-closed. The administrator (HSBC Institutional Trust Services) will request any applicant for investment to contact the manager and require Directors' consent before acceptance.

The new year began in uninspiring fashion with a decline – albeit tiny – of 0.3% in the Topix index. Value, as measured by the MSCI Japan Value index, outperformed Growth to continue on in the same vein as 2004. In absolute terms, both were down. More telling was the strong performance from mid and small cap indices and the weakness in the Topix 100 index. The latter measures the performance of the 100 largest stocks listed on the Tokyo Stock Exchange and it has been a dismal (relative) story for these stocks over the past year. In that time, the Topix index has risen 13%, the TSE2 (second section) is up 47% but the Topix 100 has risen only 8%. We do not consciously target small caps but as we do search for value, it does push us into the smaller company area when valuations favour them. Despite (or because of) the strong performance from smaller stocks of late, we are wary of becoming too exposed to this group as they are no longer cheaper than the market as a whole and earnings growth is no better than the average. If we can find well-run large caps that are as cheap with growth in earnings, we would prefer be in them, so we have been reducing some of our less liquid names in the past month or two.

Banks and Real Estate have led the market since it bottomed in late October despite the fact that investors and economists generally remain only mildly positive on domestic demand. Based on our own company visits and research, the gains in land prices, increased investor interest in property investments and the desire of the major banks to expand again after a long contraction, tells a positive

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

Level 32, The Chifley Tower
2 Chifley Square
Sydney NSW 2000
Phone: 61 2 9229 1863
Fax: 61 2 9223 2920
optimal@optimaljapan.com

5F Izumikan Kioicho
4-3 Kioicho, Chiyoda-ku
Tokyo 102-0094
Phone: 81 3 3238 1671
Fax 81 3 3238 1687

Optimal FUND MANAGEMENT

story for the stocks in these areas. In late January we visited Mitsui Fudosan and Mizuho Financial Group and came away very confident that our (core) holdings in these stocks are justified. One fact we found of particular interest was that Mizuho's group securities companies would report pre-tax profits this year (ending March 2005) of more than Y50bn. We, like most investors I believe, had thought they were sub-scale and in all likelihood, profitless. At Y50bn, their profit ranks well behind Nomura's, but is approaching two thirds that of Nikko Securities and is more than twice the profit of Mitsubishi Securities. Although those with long experience in Japanese equities may rue the passing of the old stalwart brokers such as Nippon Kangyo Kakumaru, Wako, New Japan, Dai-Ichi (now all trading under the Mizuho umbrella), the reborn bank-owned brokerages must be causing their domestic and foreign rivals to rethink their approach to the business. It remains to be seen whether the banks can regain any of their vitality in the same way. Although improving, Mizuho's return on assets trails in the wake of large foreign banks – but that in itself is one of the attractions if you believe the tide has turned.

Positive contributors (long) Haseko, Tokyo Tatemono, Ushio, Kubota, Nippon Mining
(short) Skyperfect, Nomura

Negative contributors (long) Mitsubishi Co, Toyota Motor, Sumitomo Trust & Banking
Nippon Oil, Nippon Yusen

Major Positions

Toyota Motor, Tokyo Tatemono, Mizuho Financial, Haseko

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

Level 32, The Chifley Tower
2 Chifley Square
Sydney NSW 2000
Phone: 61 2 9229 1863
Fax: 61 2 9223 2920
optimal@optimaljapan.com

5F Izumikan Kioicho
4-3 Kioicho, Chiyoda-ku
Tokyo 102-0094
Phone: 81 3 3238 1671
Fax 81 3 3238 1687

Optimal FUND MANAGEMENT

Return Snapshot	
Period	%(AUD)
Year to Date Return	2.83
Return since inception Inception 20 Dec, 1999	78.64
Fund size at 31 Jan 05	AUD 37mil

Portfolio Composition at Month End			
% of NAV	Nov 04	Dec 04	Jan 05
Long Stock Position	83.85	86.93	87.51
Short Stock Position	(21.23)	(24.52)	(29.00)
Index Futures	(9.36)	(10.87)	(10.50)
Equity Derivatives	1.41	1.34	1.34
Net Exposure	54.67	52.88	49.35

Historical Returns

Below we provide a table detailing the monthly returns of the Fund since its inception in mid-December 1999.

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												2.83

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

Level 32, The Chifley Tower
2 Chifley Square
Sydney NSW 2000
Phone: 61 2 9229 1863
Fax: 61 2 9223 2920
optimal@optimaljapan.com

5F Izumikan Kioicho
4-3 Kioicho, Chiyoda-ku
Tokyo 102-0094
Phone: 81 3 3238 1671
Fax 81 3 3238 1687