

**Monthly Performance % - as at 30 January 2009**

NAV	January	YTD	Asset size
A\$10.72	-1.74%	-11.33%	A\$47M

For everyone hoping that 2009 would start afresh by ruling a line under the extreme weakness of equities in 2008, January was a rude shock. With the exception of China's, all equity markets started the year with big falls. Japan's Topix index fell 7.6% to close at 794, leaving it just 6 points above the lowest month-end low this decade (788 in March 2003) but still above the 746 bottom marked on October 27th last year. There is little value in recounting all the bad news as it has already received blanket coverage by the predictably morbid media, but the interest lies in the divergent returns amongst the major sectors of the market.

Since the late October low, the best performance has come from the decidedly cyclical sectors such as oil & coal, paper & pulp, shipping, non-ferrous metals and machinery. The worst has been from financial sectors such as brokers, other finance (leasing and consumer loans) and real estate. By contrast, the classic defensive out-performers of 2008 – railways, foods, pharmaceuticals and electric power & gas – have started the year poorly. What does this tell us? It is tempting to ascribe great significance to this as Mr Market has a collective wisdom far in excess of that of the individual participants. These cyclical sectors began falling hard well before the companies concerned began to tell of slowing or cancelled orders and revising down their profit forecasts. If the market has begun to buy them, does this tell us that the torrent of bad news and downgrades has been factored in and the improvement in demand might not be far away? We know that we were late selling down our cyclicals in 2007-2008 and that past experience tells us that these stocks are buys well before the outlook has clearly improved. Our hesitancy now is due to doubts that our own "past experience" may not be as relevant given the current extreme financial crisis, but just as it is risky to rely on the "it's different this time" defense when in bull markets, the same applies in bear ones.

In a month when only one of the thirty three index sectors rose, it is no surprise that our worst contributors were our biggest holdings and the five biggest positive contributors were all short positions. Overall the portfolio shape is largely unchanged from December, although we have taken profits in some shorts and added new ones as well as making changes within the longs.

**Update on outcome of the 4 February EGM in other Optimal managed funds**

As outlined in the December 2008 monthly report, investors in the Optimal Funds concerned received notice of resolutions to be voted on at an EGM on 4 February. Due to insufficient proxies returned, the 4 February meeting was adjourned until 11 February and then in light of the continued failure to form a quorum, the meeting was adjourned indefinitely and the resolutions have failed to be approved. The terms and conditions of the Funds remain unchanged.

Unitholders in Optimal Japan Trust were not sent notices as the process to effect such changes in the Trust are different to those required in the case of the other offshore funds. The Trustee has decided that it is sensible for the terms of the Trust and the other comparable off-shore funds to remain the same so it can confirm that dealing in the Trust will remain monthly (with 30 days notice for redemptions) and all other terms similarly remain unchanged.

**DISCLAIMER:**

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## Recent 3 month Fund Exposure

% of NAV in	Nov 08	Dec 08	Jan 09
Long Stock Position	55.00	54.64	57.28
Short Stock Position	-15.95	-14.71	-15.57
Index Futures	-23.05	-13.05	-13.09
Equity Derivatives			
Net Exposure	16.00	26.88	28.62

## 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	24.91%	39.93%
Shorts	-9.28%	-14.89%
Total no. positions	37	

## Top Five Positions

NTT Co  
Yamada Denki  
  
Fanuc  
Nintendo  
Mitsui Fudosan

## Winners

Nikkei 225 Mar 09 Future  
Sumitomo Realty & Development  
Toshiba Co  
SBI Holdings  
AEON Mall Co

## Losers

Tokyo Tatemono  
Yamada Denki  
  
Mitsui Fudosan  
Fanuc  
Nintendo

## Sector Exposure as at 30 January 2009

	Longs	Shorts	Net
Materials	2.29%	-3.19%	-0.90%
Industrials	8.62%	-3.73%	4.90%
Technology	8.66%	-3.76%	4.90%
Financials	14.13%	-3.35%	10.78%

	Longs	Shorts	Net
Consumer Non Disc	3.74%	-1.54%	2.20%
Consumer Disc	13.57%	-	13.57%
Telecommunication	6.27%	-	6.27%
Futures	-	-13.09%	-13.09%

## 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						-11.33

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						-11.29

## Optimal FUND MANAGEMENT

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