

Monthly Report to Unitholders of the Optimal Japan Trust July 13th, 2007

Date	NAV	Monthly % Return*
29 June 2007	A\$18.31	2.23 %

* After all fees

* NAV is ex-distribution of **A\$ 1.24 (for Yr to 6/06)** 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

Important: With effect from July 3rd, 2006, the Trust's administrator is EFA of Luxembourg. A new Private Placing Memorandum has been created and is available on our website (www.optimalasia.com) or can be emailed by the manager upon request.

For Japanese investors, the first half of 2007 produced a much better return in the market than was achieved for the whole of 2006. The Topix index was up 5.6% to June 29th in local currency which makes one wonder why the Japanese retail investor keeps pouring money into risky overseas assets. The subject is more interesting when one considers the return from Japanese equities in other currencies (unhedged basis). In descending order, we had Topix index returns over the six months in USD of 2.0%, in UK Pounds -0.55%, in EUR -0.63%, in AUD -5.4% and a woeful return of -7.1% in NZD. In a vicious cycle, the Yen weakens as Japanese investors pour their Yen offshore, pushing up those currencies and inadvertently reducing the return from Japanese equities for non-Japanese holders. When will it end? We don't know, but boldly predict that the end of Yen weakness is nearer today than it was yesterday, last week, last month and last year. The cautious should remain hedged, whilst we venture that a bet on Yen strength will reward the patient.

A quick check of the best and worst performing sectors over the past year paints a very clear picture. Three of the top four sectors are clearly global growth – and especially Asian growth – beneficiaries. Shipping was up 100%, Steel 58% and Wholesale Traders (trading companies) 42%. Machinery, Precision Instruments and Autos all managed to get into the top ten performers, while Real Estate was the only genuine domestic sector to make it – coming in at 6th with a rise of 35%. Other Financials (leasing and consumer loan companies) came 33rd (i.e. last) with a return of -16% while banks came in second last at -13%. Clearly one was paid well to hold a rosy view of global demand for Japanese capital goods and autos and this was certainly a view we adopted based on our regular trips in Asia. It was not a period that rewarded trading and one in which – despite many claims to the contrary – an accurate assessment of demand (and supply) has been reflected in stronger prices.

As the typhoon season begins in Japan, we don our gumboots and sou'westers and prepare to fly into Tokyo in the last week of July. The week will be a mixture of analyst meetings and company visits in Kyushu – centred on the cement plants located there (sounds thrilling I know). It has become a regular whine in these reports but we cannot help lament yet again the practice of quarterly reporting. Whereas once – not long ago – there were two periods each year when companies would refuse meetings, there are now four such “quiet periods”

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Optimal FUND MANAGEMENT

and late July happens to be one. Why anyone expects that the official announcement of first quarter earnings (as it is in this case) gives an opportunity to change one's view - and make money - is a mystery to us, but we have to accept the situation as we find it. At least the trip coincides with the upper house election and the high drama associated with last minute electioneering Japan style – white gloved hands waiving from the window of mini-vans etc etc.

To finish on an administrative matter, we wish to stress that any applications for redemptions or subscriptions in our funds that come in to EFA (administrator) 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 website.

Positive contributors (long) Star Micronics, Komatsu, Fanuc, Isuzu Motors
(short) Sony, Funai Electric, Nippon Suisan

Negative contributors (long) Tokyo Tatemono, Mitsui Fudosan, Mitsubishi UFJ Lease
(short) IHI, Murata, Elpida

Major Positions

Sumitomo Corp, Komatsu, Toyota Motor, Mizuho FG, Mitsui Fudosan

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Return Snapshot % (AUD)	
Year to Date Return	2.23
Return since inception Inception 20 Dec, 1999	146.61
Fund size at 29 Jun 07	AUD 93 mil

Portfolio Composition at Month End			
% of NAV	Apr07	May07	Jun07
Long Stock Position	89.33	92.58	85.53
Short Stock Position	(16.51)	(17.13)	(16.81)
Index Futures	(38.51)		
Equity Derivatives	(0.20)	(0.22)	
Net Exposure	34.10	75.23	68.72

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	2.65	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	-4.04	0.24	-0.77	1.46	0.13	2.72	0.99	2.62	9.42
2007	1.96	0.58	-0.99	1.35	3.47	2.23							8.86

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