

OPTIMAL JAPAN TRUST

Report for March 2000

In March, the Optimal Japan Trust's NAV increased by **8.99%** after all fees and is up **23.21%** since inception on December 20th last year and **22.5%** for the quarter. The Topix index (AUD) struggled for most of the month before rising strongly in the last week to finish March up **8.3%** but only returned **6.4%** over the quarter. As we see it, the first quarter was a rest from the frantic activity at the end of 1999 with encouraging signs of investor interest spreading to sectors with greater sensitivity to economic demand.

The best performing sectors during March were certainly short on glamour but did offer some substance and importantly, included the "troubled" twins – Banks and Real Estate. Government figures are still showing land prices fell in 1999 but small pockets of strength have appeared and anecdotal evidence is of firmer demand and falling vacancy rates in prime office locations. The improved showing in banks may merely be rotation into a highly liquid sector that has underperformed in recent months as dealers shy away from the more speculative technology stocks. On the positive side however, there has been much activity in the sector as banks form alliances to cope better with the more competitive environment. Given the extent to which the banks' problems were due to their ill-judged investment in real estate, it is natural that improved sentiment towards the latter would also boost the banks. When one sees retailers, banks and real estate all doing well it certainly gives cause for optimism that the economy is improving. We place a lot of faith in the stock market's role as a lead indicator and remain optimistic that economic news will improve.

The Fund had a long exposure of 119% of NAV and short exposure of 34% of NAV and remained hedged out of Yen into AUD. Stocks that contributed most to the Fund's return were:-

Longs

- Denso; Mitsukoshi;
- Marusan Securities;
- Daiwa Securities; Toshiba Ceramics;
- Marui; Daimaru and
- Takuma.

Shorts

- Anritsu
- Konami
- Fast Retailing

During the month we added long positions in Mitsubishi Estate, Sanwa Bank & Sumitomo Bank (prefs), Denso, Toyota and Nippon Chemical while taking profits in Teikoku Oil, Tokyo Broadcasting & Tomy amongst others. We covered shorts in Advantest, Fast Retailing and Ito-En and added new shorts in Goodwill, Hitachi Zosen and Nikon.

Pending the completion of our website, fund details and monthly performance is available on the Altinvest website using the following log-in details:



USER ID: roZXOPFM
PASSWORD: QN99pfop
(the above is case sensitive)

Warwick Johnson
Managing Director