

Monthly Report to Unitholders of the

Optimal Japan Trust

8th April, 2004

Date	NAV	Monthly % Return*
31 March 2004	A\$13.28	7.01

* After all fees

* NAV is ex-distribution of 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

Success – Longs & Shorts

	Jan04	Feb04	Mar04
Topix %	0.37	3.34	8.94
OJF longs %	0.92	2.60	21.35
OJF shorts %	-3.84	-3.04	-15.34

The Japanese financial year ended on a happy note with a 50% rise in the Topix index. The stock market's exuberance has been supported by the steady flow of encouraging news from the corporate sector and economic releases. We have now entered the quiet period between end of March and the beginning of the reporting season which runs from mid-May until early June. Companies are reluctant to take visits from the investment community (as I discovered when trying to arrange my trip to Japan last week) and instead of company announcements, we turn to the Nikkei newspaper – Japan's pre-eminent financial daily – for "previews". These often bear an amazing resemblance to the numbers subsequently reported by the companies and are thus taken seriously (in the manner of Pravda editorials) by the market. The previews season is only starting to click in now, but there is a lot of confidence in the outlook for the year ahead. We believe that the confidence is well-placed, though there are obviously some stocks and sectors that have run well ahead of likely profits growth.

The month was dominated by a growing conviction that the domestic economy was going to recover at last. We have no argument with the rebound in private capex, but are less certain about consumption. This sector – accounting for almost 65% of GDP – has been weak for the best part of the past decade and its health is obviously a vital element in any prolonged economic expansion. Profits growth, better jobs market, rising asset prices and loose fiscal and monetary policy should stimulate the consumer's appetite eventually, but the market is certainly betting it will be soon and strong. The best five performing sectors in March were Banks, Real Estate, Insurance, Steel and Securities whilst the worst were Electric/Gas utilities, Pharmaceuticals, Transport Equipment (autos), Precision and Rubber. This domestic demand theme offering clear evidence of greater confidence in the economy's prospects.

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

This confidence fed through into greater volumes in stock market turnover. Various records were set. The value of the daily transactions on the Tokyo Stock Exchange's first section has been in excess of one trillion Yen (approx. US\$ 9.5bn) for each of the past thirty days and on-line transactions have soared. Matsui Securities, Japan's best known on-line broker, has had record turnover and the price has jumped 40% in the first quarter. Even more remarkable has been the increase in the price of Sparx Asset Management. Benefiting from its rarity value as Japan's only listed fund manager, the market cap has recently risen (the stock is up 550% YTD) to 70% of its funds under management. Enough to get raise the temperature of even the coolest fund manager. Its stock is impossible to borrow.

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

Positive contributors (long) Haseko Co, Mitsui Trust Holding, Tokyo Tatemono, Marubeni Co
(short) Uni-charm, Suzuki Motor, Shionogi

Negative contributors (long) Takefuji, Nippon Suisan
(short) Yamato Transport, Asatsu-DK, Citizen Electronics

Major Positions

Toyota Motor, Haseko Co, Marubeni Co, Mitsubishi Co, Mitsubishi Tokyo Financial

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	7.97
Return since inception Inception 20 Dec, 1999	64.93

Portfolio Composition at Month End			
% of NAV	Jan 04	Feb 04	Mar 04
Long Stock Position	64.74	75.59	78.04
Short Stock Position	(34.48)	(34.95)	(34.28)
Index Futures	(10.99)		
Equity Derivatives	1.66	2.12	3.34
Net Exposure	20.93	42.76	47.1

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										7.97

* Trust inception 20 December, 1999

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