

Monthly Report to Unitholders of the Optimal Japan Trust 8th April, 2005

Date	NAV	Monthly % Return*
31 March 2005	A\$14.47	0.0%

* 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

	Jan05	Feb05	Mar05
Topix %	-0.30	2.73	0.41
OJF longs %	2.80	3.00	-2.12
OJF shorts %	0.15	-0.52	0.37

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.

March saw a daily stream of articles in the Nikkei Financial newspaper detailing unofficial profit forecasts for Japanese companies in FY2004. The vast majority of companies use a March year-end so the Nikkei's numbers will be close to the eventual result – though not, it must be said, as uncannily accurate as the Chinese government's economic statistics forecasting. Profits growth in FY 2004 will be in the order of 20% and that is almost double the rate of growth forecast a year ago. Japanese companies have not only succeeded in holding costs down, they have also generated increased revenue, and the combination has been a powerful tonic for profits. As was the case this time last year, the consensus forecast for profit growth for the year ahead is a modest 5-8%.

Early in March, the Topix index set a new record for the number of consecutive daily gains (eight in fact - from 24th Feb to 7th March) and then promptly lost nerve at being so isolated in the stratosphere and crept back to safety in the second half of the month. The index gain was 0.4% in March and brings the first quarter's rise to a very solid – if unexciting – 2.8%. If one had been clever enough to have been only in small caps, Q1 would have been a great deal more exciting as the Topix Small index rose 11.1%. After an extended period of serious outperformance, we do not believe small caps in Japan offer any greater attractions than the larger caps, and took the opportunity to sell out of three or four of our smaller names in March. Our performance was hampered by the fact that most of the weakest sectors were ones where we are positive but we were helped by the often overlooked dividend income as many stocks went ex-div on March 28th.

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Optimal FUND MANAGEMENT

US investors would not have been so happy however as the US dollar gained almost 5% versus the Yen during the first quarter. In dollar terms, the Japanese market is down by 1.5% - and not surprisingly, we have not heard a single complaint from corporate Japan. If I were to bet on forex, I would place my chips on a stronger Yen over the course of this year, but fortunately for all of us I will resist the (slight) temptation.

Positive contributors (long) Matsuzakaya, Yusen Air & Sea Service, Tokyo Tatemono, Nakanishi
(short) Victor Co, Furukawa Electric, Nippon Paper Group

Negative contributors (long) JFE Holdings, Toyota Motor, Nippon Mining, Mitsui OSK
(short) JGC Co, Asatsu DK, KHI

Major Positions

Toyota Motor, Mizuho Financial, Mitsubishi Co, Tokyo Tatemono

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Optimal FUND MANAGEMENT

Return Snapshot	
Period	%(AUD)
Year to Date Return	4.93
Return since inception Inception 20 Dec, 1999	81.54
Fund size at 31 Mar 05	AUD 38mil

Portfolio Composition at Month End			
% of NAV	Jan 05	Feb 05	Mar 05
Long Stock Position	87.51	75.48	77.52
Short Stock Position	(29.00)	(23.04)	(25.64)
Index Futures	(10.50)	(10.23)	
Equity Derivatives	1.34	1.15	1.12
Net Exposure	49.35	43.36	53.0

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	2.05	0.0										4.93

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