

Monthly Report to Unitholders of the Optimal Japan Trust 13th April, 2006

Date	NAV	Monthly % Return*
31 March 2006	A\$ 17.52	+3.79%

* After all fees

* NAV is ex-distribution of **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

As Japan's Winter made way for milder weather, equity prices in Tokyo staged their own celebration of Spring with the Topix return for March a very welcome 4.08%. The pattern of investor activity was largely unchanged with the foreigners buyers and the trust banks (mangers of the pension funds) sellers. Individuals continue to put their savings into equity investment trusts but as direct stock traders, they have been resolutely bearish into market strength and bullish as it falls. Maybe they should be managing the pension funds instead of the salaried men at the trust banks.

Generally, the economic news from Japan has been good and we are now reading rosy forecasts for Japanese GDP growth that get evermore positive. I believe that the economists' consensus for Japan's real GDP growth in 2006 is now the highest amongst the OECD countries and whilst that is not an area in which we can add much value, the bullish outlook seems to be backed up by companies we have met on recent visits. It is remarkable how much more confident company spokesmen are now compared with visits we made only six months ago. This optimism is evidenced by the welcome rise in borrowing by the corporate sector after eight years of negative growth. Little wonder that the Topix Bank Index is up by 70% from September 2005 – and 290% from the March 2003 Big Bottom - as deflation slinks off into history.

Worth a mention is the terrible performance of small caps both in actual terms and particularly relative to large caps over the first quarter. The Topix 100 (large cap) index rose 5.5% whilst the Topix Small rose by only 1.4%. The formerly fashionable TSE Mothers index (where Livedoor once strode - and still hobbles on) fell a whopping 24.8% and reminds us of the old saying about "those who live by the sword..etc etc...". Although we have no particular preference for any market capitalisation band, our current breakdown is 72% large, 17% medium and 11% in small. At the end of 2004 we felt small caps were losing their valuation lustre and began reducing some of our positions. In our opinion, they are still too expensive to justify their lesser liquidity.

We will welcome two new members to our investment team in May. Hideo Takagi will join our Tokyo team to further our research in Japan and north Asia and in Sydney, Shinobu Takano will begin working in our dealing and portfolio administration area. Both are experienced in their roles and will bring extra muscle to our efforts. We will also be busy in May hen we move into new premises in Sydney. A letter and email will be sent out to everyone in the next week or so with details of the office, but telephones and emails remain the same. We would welcome visitors to the new office (post 15 May) and might even buy you a coffee for the trouble.

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Optimal FUND MANAGEMENT

Important: The Optimal Japan Fund and Optimal Japan Trust are not accepting new investments. The administrator (HSBC Institutional Trust Services) will only accept applications for investment from those with agreements with the manager.

To finish on an administrative matter, we wish to stress that any applications for redemptions or subscriptions in our funds that come in to HSBC Institutional Trust Services (Asia) 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 web-site.

Positive contributors (long) Sumitomo Trust & Banking Co, Tokyo Tatemono, Kubota, JFE
(short) Oji Paper, Eisai, Kaneka Co

Negative contributors (long) Mitsubishi Co, Ushio, Nippon Steel
(short) Goldcrest, Murata, Funai

Major Positions

Sumitomo Trust & Banking, Sumitomo Metal Mining, Kubota, Sumitomo Co, Tokyo Tatemono

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Level 32, The Chifley Tower
2 Chifley Square
Sydney NSW 2000
Phone: 61 2 8239 3300
Fax: 61 2 8239 3333
optimal@optimaljapan.com

6F 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	6.12
Return since inception Inception 20 Dec, 1999	126.26
Fund size at 31 Mar 06	AUD 68.3 mil

Portfolio Composition at Month End			
% of NAV	Jan 06	Feb 06	Mar 06
Long Stock Position	79.40	76.16	83.76
Short Stock Position	(16.68)	(20.02)	(21.22)
Index Futures	(9.05)		
Equity Derivatives			
Net Exposure	53.67	56.14	62.54

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	2.55	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	-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										6.12

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