

Optimal Japan Trust
Unit trust

Audited financial statements
As at June 30, 2014

Optimal Japan Trust Unit Trust

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Optimal Japan Trust Unit Trust

Directors and administration

Directors

Warwick Johnson
Eric Lucas
John Nicolis

Auditor

PricewaterhouseCoopers, Société coopérative
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Investment Manager and Trustee

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Legal Advisor

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Registrar and Administrator

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Cash Custodians

KBL European Private Bankers S.A.
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L-2955 Luxembourg

JP Morgan Chase Bank, N.A.
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259 George Street
Sydney NSW 2000
Australia

Prime Broker and Sub-Custodian

Goldman Sachs International
Daniel House
133 Fleet Street
London EC4A 2BB
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Audit report

To the Unitholders of
Optimal Japan Trust

We have audited the accompanying financial statements of Optimal Japan Trust (the "Trust"), which comprise the statement of financial position as at June 30, 2014 and the statement of comprehensive income, the statement of changes in net assets attributable to unitholders and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Trust's Trustee for the financial statements

The Trust's Trustee is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Trust's Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Independent Auditor

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgment of the Independent Auditor, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Independent Auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trust's Trustee, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Optimal Japan Trust as of June 30, 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers, Société coopérative
Represented by

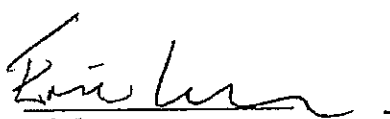
Luxembourg, September 29, 2014

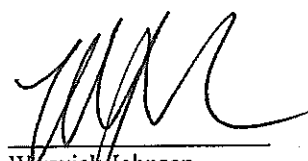
Christelle Crépin

Optimal Japan Trust
Unit Trust

Statement of financial position
As at June 30, 2014

	Notes	2014 AUD	2013 AUD
Assets			
Current assets			
Financial assets at fair value through profit or loss	2.2, 4	23,206,761	29,160,062
Other receivables and prepayments		10,089	25,007
Receivable on sales of securities		-	2,035,121
Cash at bank	2.4, 5.2	738,876	1,412,688
Cash accounts with the Prime Broker	2.5, 5.2	16,520,084	21,370,910
Total assets		40,475,810	54,003,788
Liabilities			
Current liabilities			
Financial liabilities at fair value through profit or loss	2.2, 4	2,103,480	2,023,220
Subscription proceeds received in advance	2.8	-	289,955
Performance fee payable	7.2	63,423	185,062
Other payables and accrued expenses		87,526	88,722
Payable on purchases of securities		-	2,397,359
Short term borrowings from the Prime Broker	2.5, 5.2	14,009,104	20,683,260
Liabilities (excluding net assets attributable to unitholders)		16,263,533	25,667,578
Net assets attributable to unitholders		24,212,277	28,336,210
Total liabilities		40,475,810	54,003,788
Number of units in issue	9	1,672,021.862	2,035,859.818


Eric Lucas
Trustee


Warwick Johnson
Manager

The accompanying notes form an integral part of these financial statements.

Optimal Japan Trust
Unit Trust

Statement of comprehensive income
For the year ended June 30, 2014

	Notes	2014 AUD	2013 AUD
Income			
Bank interest	2.7	372,072	635,267
Dividend income	2.7	598,169	454,308
Net (loss)/gain on financial instruments at fair value through profit or loss	4.2	(31,662)	5,318,930
Foreign exchange gain	2.6, 4.3	816,016	1,103,318
Total investment gain		1,754,595	7,511,823
Expenses			
Performance fee	7.2	63,423	185,062
Investment management fee	7.1	252,563	253,582
Goods and service tax on fee and expenses incurred in Australia	8	11,099	32,542
Dividend expense on securities sold short	2.7	47,339	62,053
Stock borrowing fees		10,933	16,543
Administration fee	7.4	88,110	79,119
Audit fee		40,108	30,213
Other operating expenses		40,520	58,824
Total operating expenses		554,095	717,938
Operating profit before finance cost and tax		1,200,500	6,793,885
Finance cost			
Interest expense		(122,480)	(125,156)
Profit before tax		1,078,020	6,668,729
Withholding tax on dividends	8	(63,050)	(32,080)
Increase in net assets attributable to unitholders from operations		1,014,970	6,636,649

The accompanying notes form an integral part of these financial statements.

Optimal Japan Trust
Unit Trust

Statement of changes in net assets attributable to unitholders
For the year ended June 30, 2014

	Notes	2014 AUD	2013 AUD
Net assets attributable to unitholders at the beginning of the year		28,336,210	27,413,570
Units issued	9	6,805,058	13,029,697
Units redeemed	9	<u>(11,943,961)</u>	<u>(18,743,706)</u>
Net (decrease) from unit transactions		(5,138,903)	(5,714,009)
Increase in net assets attributable to unitholders from operations		<u>1,014,970</u>	<u>6,636,649</u>
Net assets attributable to unitholders at the end of the year		<u>24,212,277</u>	<u>28,336,210</u>

The accompanying notes form an integral part of these financial statements.

Optimal Japan Trust
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Statement of cash flows
For the year ended June 30, 2014

	2014 AUD	2013 AUD
Cash flows from operating activities:		
Increase in net assets attributable to unitholders from operations	1,014,970	6,636,649
Adjustment for:		
Dividend income	(598,169)	(454,308)
Dividend expense	47,339	62,053
Withholding tax	63,050	32,080
Interest income	(372,072)	(635,267)
Interest expense	122,480	125,156
	<u>277,598</u>	<u>5,766,363</u>
Changes in operating assets and liabilities:		
Decrease/(increase) in financial assets at fair value through profit or loss	5,953,301	(7,171,103)
Decrease in cash accounts with the Prime Broker	4,850,826	5,952,099
Decrease/(increase) in receivables on sales of securities	2,035,121	(1,230,666)
Decrease in other receivables and prepayments	14,918	9,271
Increase/(decrease) in financial liabilities at fair value through profit or loss	80,260	(2,672,067)
(Decrease)/increase in short term borrowings from the Prime Broker	(6,674,156)	2,425,337
(Decrease)/increase in performance fee payable	(121,639)	183,888
(Decrease)/increase in payable on purchase of securities	(2,397,359)	1,825,349
(Decrease) in other payables and accrued expenses	(1,196)	(8,539)
	<u>4,017,674</u>	<u>5,079,932</u>
Cash from operating activities	4,017,674	5,079,932
Dividends received	598,169	444,081
Dividends paid	(47,339)	(62,053)
Withholding tax paid	(63,050)	(32,080)
Interest received	372,072	637,102
	<u>4,877,526</u>	<u>6,066,982</u>
Net cash from operating activities	4,877,526	6,066,982
Cash flows from financing activities:		
Cash received on units issued	6,515,103	13,319,652
Cash paid out on units redeemed	(11,943,961)	(18,743,706)
Interest paid	(122,480)	(124,718)
	<u>(5,551,338)</u>	<u>(5,548,772)</u>
Net cash (used in) financing activities	(5,551,338)	(5,548,772)
Net change in cash	(673,812)	518,210
Cash at bank at the beginning of the year	1,412,688	894,478
	<u>738,876</u>	<u>1,412,688</u>
Cash at bank at the end of the year	738,876	1,412,688

The accompanying notes form an integral part of these financial statements.

Optimal Japan Trust

Unit Trust

Notes to the financial statements

As at June 30, 2014

NOTE 1. GENERAL INFORMATION

Optimal Japan Trust (the "Trust") is a unit trust which is governed by its Trust Deed dated November 12, 1999, as amended. The Trust is governed by, and construed in accordance with, the laws of New South Wales, Australia.

The objective of the Trust is to achieve above average returns through investing in quoted securities in Japan. In addition, up to 20 per cent of the Trust's gross assets may be invested in quoted securities in Korea and Taiwan. Investments are predominantly in equities but may include fixed interest instruments, money market instruments, derivatives and foreign exchange contracts. The Trust may invest in ADRs and GDRs. The Trust may sell short equities that the Investment Manager believes are overvalued and with respect to which there is a strong likelihood of a price decline.

The Investment Manager of the Trust is Optimal Fund Management Pty Limited which is incorporated in Australia.

Whilst the Trust's Administrator is located in Luxembourg, unitholders should be aware that the Trust is not a Luxembourg Fund, and is not subject to Luxembourg law. It has not been authorised by any supervisory authority in the Grand Duchy of Luxembourg and is not subject to the supervision of any Luxembourg authority.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention as modified by the revaluation of financial assets and financial liabilities held at fair value through profit or loss. Financial statements prepared in accordance with IFRS require the Trustee to make certain estimates and assumptions that affect the reported amounts in these financial statements.

(i) Standards and amendments to existing standards effective July 1, 2013

- IFRS 13, 'Fair Value Measurement' (effective from January 1, 2013)

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change fair value measurement when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Trust uses the last traded price to value its financial assets and liabilities. This methodology is consistent with the Trust's Information Memorandum and is also recognised as a standard pricing convention within the funds management industry.

The Trust early adopted IFRS 13, "Fair value measurement", on July 1, 2012. The application of IFRS 13 did not have any significant impact on the comparative figures of the financial position and performance of the Trust. This standard becomes effective for annual periods beginning on or after January 1, 2013.

Notes to the financial statements (continued)
As at June 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(i) Standards and amendments to existing standards effective July 1, 2013 (continued)

- Amendments to IFRS 7, 'Disclosures – Offsetting financial assets and financial liabilities' (effective from January 1, 2013)

These amendments require additional disclosures to enable users of financial statements to evaluate the effect or the potential effects of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognized financial liabilities, on the entity's financial position. The amendments did not have any impact on the Trust's financial position or performance.

(ii) Standards, amendments and interpretations that are not yet effective and not early applied

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after July 1, 2013, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements. However we draw attention to the following standard:

- IFRS 9, 'Financial instruments' (effective from January 1, 2018)

This standard specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach compared with the requirements of IAS 39. The standard is not expected to have a significant impact on the Trust's financial position or performance, as it is expected that the Trust will to continue to classify its financial assets and financial liabilities as being at fair value through profit or loss.

- Amendments to IFRS 9, 'Financial instruments' regarding general hedge accounting (effective from January 1, 2018)

These amendments bring into effect an overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

- Amendments to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities (effective from January 1, 2014)

These amendments clarify the offsetting criteria in IAS 32 and address inconsistencies in the application. This includes clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. The amendments would not be expected to have any impact on the Trust's financial position or performance.

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Notes to the financial statements (continued)

As at June 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(ii) Standards, amendments and interpretations that are not yet effective and not early applied (continued)

- Amendments to IAS 39, 'Financial instruments: Recognition and measurement' on novation of derivatives and hedge accounting (effective from January 1, 2014)

These amendments to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.

2.2 Financial assets and liabilities at fair value through profit or loss

Investments consist principally of listed securities and derivative financial instruments. They are initially recognised at fair value and subsequently re-measured at fair value and based on the market price quoted on the relevant stock exchanges at the close of business on the valuation day.

(i) Classification

The category of financial assets and liabilities at fair value through the profit or loss is subdivided into two categories: financial assets and liabilities held for trading and those designated by the Trustee at fair value through profit or loss at inception.

Financial assets and liabilities held for trading ("trading securities") are acquired or incurred principally for the purpose of generating a profit from short-term fluctuation in price.

Investments in listed securities have been designated by the Trustee as "financial assets and liabilities at fair value through profit or loss at inception". Purchases and sales of investments are accounted for on a trade date basis. Realised and unrealised gains and losses on securities are recognised in the statement of comprehensive income as they arise.

Derivatives, including futures contracts, options contracts and foreign exchange contracts, are categorised as held for trading as the Trust does not designate any derivatives as hedges for hedge accounting purposes as described under IAS 39. All derivatives are carried as assets when amounts are receivable by the Trust and as liabilities when amounts are payable by the Trust. Changes in fair value of derivatives and trading securities are included in the statement of comprehensive income as they arise.

(ii) Initial measurement

The Trust's securities and derivatives are accounted for at trade date and are recognised at fair value at the time of acquisition.

Notes to the financial statements (continued)
As at June 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Financial assets and liabilities at fair value through profit or loss (continued)

(iii) Subsequent measurement

The realised gains or losses resulting from the sales of investments are calculated on an average cost basis. Securities listed on a stock exchange or traded on a regulated market are valued at their fair value based on quoted prices. Should the Trust hold securities which are not freely transferable, or which are not regularly traded, or which for any other reason are subject to limited marketability, they would be valued at fair value as determined by the Trustee. In such circumstances, the Trustee would refer to quotes from external brokers. At reporting date, all investments were valued at quoted prices.

A short sale is a transaction in which the Trust sells a security it does not own. The proceeds received for short sales are recorded as liabilities and the Trust records an unrealised gain or loss to the extent of the difference between the proceeds received and the market value of the open short position. The Trust records a realised gain or loss when the short position is closed. By entering into short sales, the Trust bears the market risk of an unfavourable change in the price of the security sold short in excess of the proceeds received.

The Trust enters into securities borrowing transactions with the Prime Broker to cover its short sales. Borrowed securities are not recognised in the financial statements unless they can be sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in income on investments.

(iv) Derecognition

Financial assets at fair value through profit or loss are derecognised when the contractual rights to the cash flows from the financial asset expires or if the Trust transfers substantially all risks and rewards of ownership of the financial asset.

Financial liabilities at fair value through profit or loss are derecognised when the obligation specified in the contract is discharged, cancelled or expired.

Realised gains and losses on derecognition are determined using the average cost method and are included in statement of comprehensive income for the period in which they arise.

(v) Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date.

IFRS 13, "Fair value measurement" utilises the last traded market price for both financial assets and financial liabilities.

(vi) Offsetting

The Trust offsets financial assets and financial liabilities at fair value through profit or loss if the Trust has a legally enforceable right to offset the recognised amounts and either intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the financial statements (continued)
As at June 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Derivative financial instruments

Derivative financial instruments, including forward foreign exchange contracts and futures contracts, are recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value.

Open futures contracts are valued at market closing prices at the valuation date, with the differences between the market closing prices and the contract prices being recognised as the unrealised profit or loss of that open position.

Forward foreign exchange contracts are valued at the difference between forward rates ruling at the valuation date and the contract rates.

All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in fair value of derivatives are included in the statement of comprehensive income.

2.4 Cash at bank

Cash comprises cash on hand and demand deposits held with Cash Custodians.

2.5 Cash accounts with the Prime Broker

The Prime Broker provides the clearing and depository operations for the Trust's security transactions as well as providing loans and finance.

2.6 Foreign currencies

(i) Functional and presentation currency

Subscriptions and redemptions of the units are denominated in the Australian Dollar ("AUD"). Accordingly the Trustee considers the AUD to most faithfully represent the economic effects of the underlying transactions, events and conditions and has adopted the AUD as the functional currency for the Trust.

The financial statements are presented in AUD which is the Trust's presentation currency.

(ii) Foreign currency transactions

Foreign currency transactions during the year, including purchases and sales of securities and income and expenses, are translated at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities outstanding at year-end that are denominated in currencies other than AUD are translated into AUD at the closing rates of exchange at each year-end.

Optimal Japan Trust

Unit Trust

Notes to the financial statements (continued)

As at June 30, 2014

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Income and expense

All income and expenses are accounted for on an accrual basis.

Dividends on quoted equity shares are brought into account on the ex-dividend date. Dividends where no ex-dividend date is quoted are brought into account when the Trust's right to receive payment is established. Dividends on shares sold short are accrued on the ex-date and paid to the Prime Broker on the payable date.

Interest income and interest expense is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

When the Trust receives cash for a subscription before the subscription becomes effective, the Trust records a liability. Such liability is shown as "Subscription proceeds received in advance".

2.8 Units

Units are redeemable at the unitholder's option and are classified as financial liabilities.

The units can be redeemed by unitholders at any time (subject to one month's notice and/or redemption date as defined in the Trust Deed) for cash equal to a proportionate share of the Trust's net asset value. The units are carried at the redemption amount that are payable at the statement of financial position date if the unitholder exercised its right to redeem the unit.

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 Critical accounting estimates and assumptions

Fair value of financial instruments

All of the Trust's financial assets and liabilities, including derivative financial instruments, were measured at fair value using, in full or in part, reference to published price quotations.

3.2 Critical judgements

As described in Note 2.6, the Trustee considers AUD as the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The AUD is the currency in which the Trust measures its performance and reports its results, as well as the currency in which it receives subscriptions from its investors. This determination also considers the competitive environment in which the Trust is compared.

Optimal Japan Trust
Unit Trust

Notes to the financial statements (continued)
As at June 30, 2014

NOTE 4. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

4.1 Categories of financial instruments

	2014 AUD	2013 AUD
Listed equity securities	23,156,181	29,160,062
Derivatives	50,580	-
Financial assets at fair value through profit or loss	23,206,761	29,160,062
Listed equity securities, sold short	(2,071,707)	(1,897,646)
Derivatives	(31,773)	(125,574)
Financial liabilities at fair value through profit or loss	(2,103,480)	(2,023,220)

4.2 Net gains/(losses) on financial assets and liabilities at fair value through profit or loss

	2014 AUD	2013 AUD
Held for trading	(500,177)	(2,015,777)
Designated as at fair value through profit or loss	4,072,431	1,474,593
Net realised gains/(losses) on financial assets and liabilities at fair value through profit or loss	3,572,254	(541,184)
Held for trading	144,382	289,153
Designated as at fair value through profit or loss	(3,748,298)	5,570,961
Net change in unrealised (losses)/gains on financial assets and liabilities at fair value through profit or loss	(3,603,916)	5,860,114
Total Net (losses)/gains on financial instruments at fair value through profit or loss	(31,662)	5,318,930

4.3 Foreign exchange gain/(loss)

	2014 AUD	2013 AUD
Unrealised gains/(losses) in foreign exchange	261,157	(773,786)
Unrealised gains/(losses) in foreign exchange	261,157	(773,786)
Realised gains in foreign exchange	554,859	1,877,104
Realised gains in foreign exchange	554,859	1,877,104
Total foreign exchange gains	816,016	1,103,318

Optimal Japan Trust

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Notes to the financial statements (continued)

As at June 30, 2014

NOTE 4. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

4.4 Derivatives

Futures contracts

Futures contracts are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. Futures contracts are exposed to market risk based on changes in market prices relative to contracted amounts. Market risks arise due to possible movement in the indices and securities value underlying these instruments.

Futures contracts have little credit risk because the counterparties are brokers registered with futures exchanges. The Trust carried out index futures transactions with the Prime Broker. The futures contracts are collateralised by cash or marketable securities; changes in the futures contracts' value are settled daily with the exchange. Futures are settled on a net basis.

The Trust's outstanding equity index futures contracts are as follows:

	Unrealised loss 2014 AUD	Unrealised loss 2013 AUD
Equity index futures - short	<u>(31,773)</u>	<u>(125,574)</u>

Forward foreign exchange contracts

When entering a forward foreign exchange contract the Company agrees to receive or deliver a fixed quantity of a foreign currency for an agreed price upon an agreed future date. The unrealised gain or loss on open forward foreign exchange contracts is calculated by reference to the difference between the contracted rate and the rate to close out the contract. Realised gains/losses on forward foreign exchange contracts are included in the statement of comprehensive income.

The Trust's outstanding forward foreign exchange contract is as follows:

Maturity date	Buy	Sell	Unrealised gain/(loss) AUD
03/07/2014	AUD 6,328,947	JPY 600,000,000	<u>50,580</u>

Notes to the financial statements (continued)
As at June 30, 2014

NOTE 5. FINANCIAL ASSETS AND LIABILITIES ANALYSIS – ASSOCIATED RISKS

5.1 Strategy in using financial instruments

Investment objectives

The Trust's investment objective is to seek to achieve above average returns through investing in quoted securities in Japan. Investments is predominantly in equities but may include fixed interest instruments, money market instruments, derivatives and foreign exchange contracts. In addition, up to 20% of the Trust's gross assets may be invested in quoted securities in Korea and Taiwan in aggregate, measured at the time of investment. To date, no such investments in Korea and Taiwan have been made and it is the Investment Manager's intention to notify investors in the Trust before making any such investments in excess of 5% of the Trust's gross assets. The Investment Manager may invest in american depository receipts and global depository receipts. Where investing in Taiwan, the Investment Manager may use investment facilities offered by third parties.

Whilst the Investment Manager seeks to achieve above average returns, the control of risk is central to the Investment Manager's investment strategies outlined below.

Investment strategy

The core strategy is to construct a portfolio of quoted shares of companies priced in the market at levels that do not adequately reflect their underlying value. Because of the importance placed by the Investment Manager on assessing value, a key part of the investment strategy is to sell short equities that the Investment Manager believes are overvalued and are likely to decline in price.

The Trust's strategic focus is on company specific, bottom-up, value-driven analysis, which is not limited or intentionally weighted by market capitalisation, industry sector or macro theme.

The Trust's bias is likely to be net long in most market conditions, the core strategy being to construct a long portfolio of quoted securities priced at levels that do not adequately reflect their underlying value, whilst seeking to boost returns and limit potential market downside by selective short selling of individual stocks which are priced at levels that exceed their underlying value.

Investment processes

The Investment Manager relies principally on a modified discounted cash-flow analysis, testing its own assumptions against the market consensus. Other measures of value, such as price-to-book and price-to-earnings ratios, are also frequently used in gauging how an equity is priced both relative to its own historical performance and also relative to competing assets, such as bonds and money-market instruments. Breaking down the market's apportionment of value in a stock between earnings from existing assets and those from future investments also highlight disparities in value.

The Investment Manager seeks to achieve a detailed understanding of the risk factors (such as earnings growth expectations and economic sensitivities) in individual stocks comprising the diversified portfolio and uses a variety of quantitative techniques to further this understanding.

Optimal Japan Trust

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Notes to the financial statements (continued)

As at June 30, 2014

NOTE 5. FINANCIAL ASSETS AND LIABILITIES ANALYSIS – ASSOCIATED RISKS (CONTINUED)

5.1 Strategy in using financial instruments (continued)

Investment processes (continued)

Although the investment decision-making process incorporates various quantitative valuation methods, the Investment Manager is committed to making regular contact with the management of target companies to help make judgements on their business strategy and prospects. The Investment Manager believes this is particularly relevant in today's Japanese business environment, as there are great differences between individual companies' responses to competitive pressures and opportunities.

5.2 Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment (including payment of amounts arising from derivative contracts) in full when due and cause the Trust to incur a financial loss.

Financial assets which potentially expose the Trust to counterparty credit risk consist principally of securities and cash balances held with the Prime Broker and cash balances held with Cash Custodians.

The Trust has a Prime Brokerage Agreement with Goldman Sachs International (the 'Prime Broker'). The Prime Broker provides the clearing and depository operations for the Trust's security transactions as well as providing loans and finance. The aggregate value of securities borrowed at year end is AUD 2,071,707 (2013: AUD 1,897,646) and short-term borrowings are AUD 14,009,104 (2013: AUD 20,683,260).

As continuing security for the payment and discharge of the Trust's liabilities, assets held by the Prime Broker will be charged in its favour. Financial assets which potentially subject the Trust to concentrations of credit risk consist principally of cash balances and assets held with the Prime Broker and derivatives where the Prime Broker is the counterparty.

The Trust therefore has a significant credit risk exposure to the Prime Broker as the majority of the Trust's assets are held by the Prime Broker. At June 30, 2014, the Prime Broker held the following net assets on behalf of the Trust:

	2014	2013
	AUD	AUD
Financial assets at fair value through profit or loss	23,206,761	29,160,062
Financial liabilities at fair value through profit or loss	(2,103,480)	(2,023,220)
Cash accounts with Prime Broker	16,520,084	21,370,910
Short term borrowings from the Prime Broker	(14,009,104)	(20,683,260)
	<u>23,614,261</u>	<u>27,824,492</u>

The Prime Broker is part of the Goldman Sachs Group Inc. S&P's current credit rating of Goldman Sachs Group Inc. is A- (2013: A-). The Trust's counterparty credit rating is not readily available publicly and may differ from the parent entity's credit rating.

Optimal Japan Trust

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Notes to the financial statements (continued)

As at June 30, 2014

NOTE 5. FINANCIAL ASSETS AND LIABILITIES ANALYSIS – ASSOCIATED RISKS (CONTINUED)

5.2 Credit risk (continued)

The Trust also holds cash balances with KBL European Private Bankers S.A. ('KBL') and JPMorgan Chase Bank, N.A. ('JPM') (the 'Cash Custodians') who provide cash depository services. At June 30, 2014, the Cash Custodians held the following cash balances on behalf of the Trust:

	2014	2013
	AUD	AUD
KBL	74,702	756,591
JPM	664,174	656,097
	<u>738,876</u>	<u>1,412,688</u>

KBL is owned by Precision Capital, a Luxembourg-based bank holding company that is supervised by the Commission de Surveillance du Secteur Financier. As KBL is privately owned, no credit rating information is available. The Trust maintains minimal cash balances with KBL in order to reduce credit risk.

JPM has a current credit rating issued by S&P of A (2013: A).

All transactions in listed securities are settled/paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal as delivery of securities sold is only made when payment has been received from the broker. Payment is made on a purchase when the securities have been received from the broker. The trade will fail if either party fails to meet its obligation.

The Trust limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges which the Trustee considers to be of high credit ratings and well established corporations.

The Investment Manager monitors the Trust's credit position on a quarterly basis. At the year-end, the Trust held no debt instruments (2013: nil) and there were no debt instruments that are past due (2013: nil).

5.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in settling a liability or selling a financial asset quickly at close to its fair value.

The Trust is exposed to monthly cash redemptions of units subject to one month's prior notice. The Investment Manager manages the Trust's liquidity risk by predominantly investing in Japanese listed companies traded on the Tokyo Stock Exchange and considered readily realisable. The majority of the securities held can be liquidated within 7 days (2013: 7 days). The Trust also has the ability to borrow short-term funds from its Prime Broker to ensure settlement.

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Notes to the financial statements (continued)
As at June 30, 2014

NOTE 5. FINANCIAL ASSETS AND LIABILITIES ANALYSIS – ASSOCIATED RISKS
(CONTINUED)

5.3 Liquidity risk (continued)

The table below analyses the Trust's liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted gross cash flows on the financial liabilities that require gross settlement. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month AUD	1-3 months AUD
2014		
Listed equity securities sold short	2,071,707	-
Equity index futures - short	-	31,773
Short term borrowings from Prime Broker	14,009,104	-
Subscription received in advance	-	-
Performance fee payable	63,423	-
Other payables and accrued expenses	87,526	-
Payable on purchases of securities	-	-
	<u>16,231,760</u>	<u>31,773</u>
Net assets attributable to unitholders	-	<u>24,212,277</u>
2013		
Listed equity securities sold short	1,897,646	-
Equity index futures - short	-	125,574
Short term borrowings from Prime Broker	20,683,260	-
Subscription received in advance	289,955	-
Performance fee payable	185,062	-
Other payables and accrued expenses	88,722	-
Payable on purchases of securities	2,397,359	-
	<u>25,542,004</u>	<u>125,574</u>
Net assets attributable to unitholders	-	<u>28,336,210</u>

The following table sets forth the details of unitholders with holdings greater than 10%:

	2014	2013
Unitholder 1	28.79%	31.32%
Unitholder 2	20.12%	16.71%
Unitholder 3	11.23%	16.54%
Other unitholders	39.86%	35.43%
	<u>100.00%</u>	<u>100.00%</u>

Optimal Japan Trust

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Notes to the financial statements (continued)

As at June 30, 2014

NOTE 5. FINANCIAL ASSETS AND LIABILITIES ANALYSIS – ASSOCIATED RISKS (CONTINUED)

5.4 Market price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

All securities investments and derivative financial instruments present a risk of loss of capital as they are susceptible to market price risk arising from uncertainties about future prices of the instruments.

The Investment Manager uses a number of measures to moderate the Trust's market price risk. The primary method is through the careful selection of securities and other financial instruments and the continuous monitoring of individual positions and net exposure. The Trust's market price risk is also managed through the diversification of the investment portfolio to different industry sectors in Japan. Further, the Trust is limited to investing a maximum of 10% of its gross assets in the securities of any one company at the time of acquisition of an investment.

The Trust may sell borrowed securities which are required to be subsequently repurchased from the market and returned to the lender, thereby creating a liability to repurchase the security in the market at prevailing prices. Short selling allows the investor to profit from declines in market prices. However, if the market price increases, the potential loss could exceed amounts recorded in the financial statements and may be unlimited.

The table below analyses the investment portfolio by total exposure to price risk at year end, incorporating the underlying market risk through all financial assets and liabilities. The aggregate market exposure will not agree to the statement of financial position as they include the gross market exposure through various forms of derivative contracts which are marked to market on the statement of financial position.

	2014	2013
	AUD	AUD
Listed equity	21,084,474	27,262,416
Derivatives	(4,439,392)	(6,619,868)
Total exposure to price risk	16,645,082	20,642,548

Optimal Japan Trust
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Notes to the financial statements (continued)
As at June 30, 2014

NOTE 5. FINANCIAL ASSETS AND LIABILITIES ANALYSIS – ASSOCIATED RISKS (CONTINUED)

5.4 Market price risk (continued)

The table below analyses the investment portfolio by exposure to different industries;

Industry	Net exposure as a % of NAV	
	2014	2013
Consumer discretionary	26.0	26.1
Consumer staples	(2.6)	0.8
Energy	1.4	-
Financials	32.8	35.0
Health Care	1.5	3.6
Industrials	14.9	17.8
Information technology	7.5	9.7
Materials	5.6	-
Telecommunication services	-	3.2
Total Equity and Investment Funds	87.1	96.2
Index Futures	(18.3)	(23.4)
Net Exposure	68.8	72.8

The Investment Manager does not manage the Trust's investment strategy against any particular index or external benchmark. Accordingly, for the purposes of determining and disclosing the sensitivity analysis as required under IFRS 7 - "Financial Instruments: Disclosures", the Investment Manager has made reference to the volatility in the Trust's monthly returns in the last twelve months.

On this basis, the Investment Manager considers that a reasonable possible movement on the Trust's financial net assets at fair value would be an increase/(decrease) of 3.8% (2013: 4.5%). The analysis below shows the potential impact on the net asset value attributable to unitholders in the event of the above stated possible reasonable shift when applied to the Trust's investment portfolio at year end, with all other variables held constant.

	Reasonable possible shift in market return increase/(decrease)	Impact on net asset value increase/(decrease)
	%	AUD
2014	3.8	632,513
2013	4.5	928,915

Optimal Japan Trust

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Notes to the financial statements (continued)

As at June 30, 2014

NOTE 5. FINANCIAL ASSETS AND LIABILITIES ANALYSIS – ASSOCIATED RISKS (CONTINUED)

5.4 Market price risk (continued)

Fair value hierarchy of financial instruments

IFRS 7 requires the classification of fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - inputs for the asset or liability that are not based on observable market data.

The Trust exercises significant judgment in determining what constitutes 'observable' data. The Trust considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The Trust's financial instruments that are measured and recognised at fair value include:

- equity securities (exchange listed shares)
- futures (index futures)
- forward foreign exchange contracts

The following table presents the Trust's financial net assets at fair value at year end:

2014

Types of Assets	Level 1	Level 2	Level 3	Total
Exchange listed shares	23,156,181	-	-	23,156,181
Forward foreign exchange contracts	-	50,580	-	50,580
Total Financial Net Assets	23,156,181	50,580	-	23,206,761

Types of Liabilities

Exchange listed shares	(2,071,707)	-	-	(2,071,707)
Index futures	(31,773)	-	-	(31,773)
Total Financial Net Liabilities	(2,103,480)	-	-	(2,103,480)

Optimal Japan Trust
Unit Trust

Notes to the financial statements (continued)
As at June 30, 2014

NOTE 5. FINANCIAL ASSETS AND LIABILITIES ANALYSIS – ASSOCIATED RISKS (CONTINUED)

5.4 Market price risk (continued)

Fair value hierarchy of financial instruments (continued)

2013

Types of Assets	Level 1	Level 2	Level 3	Total
Exchange listed shares	29,160,062	-	-	29,160,062
Total Financial Net Assets	29,160,062	-	-	29,160,062

Types of Liabilities

Exchange listed shares	(1,897,646)	-	-	(1,897,646)
Index futures	(125,574)	-	-	(125,574)
Total Financial Net Liabilities	(2,023,220)	-	-	(2,023,220)

Level 1 financial instruments

The fair value of securities traded on recognised stock exchanges are based on quoted market prices from the exchange at the financial statements date.

Level 2 financial instruments

The fair value of financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs.

Level 3 financial instruments

The Trust did not hold any level 3 financial instruments at year end.

There were no transfers between hierarchy levels during the year.

The following table analyses within the fair value hierarchy the Company's assets and liabilities (by class) not measured at fair value but for which fair value is disclosed:

2014

Assets	Level 1	Level 2	Level 3	Total balance
Other receivables	-	10,089	-	10,089
Receivable on sales of securities	-	-	-	-
Cash accounts with the Prime Broker	16,520,084	-	-	16,520,084
Cash at bank	738,876	-	-	738,876
	17,258,960	10,089	-	17,269,049

Optimal Japan Trust
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Notes to the financial statements (continued)
As at June 30, 2014

NOTE 5. FINANCIAL ASSETS AND LIABILITIES ANALYSIS – ASSOCIATED RISKS
(CONTINUED)

5.4 Market price risk (continued)

Fair value hierarchy of financial instruments (continued)

	Level 1	Level 2	Level 3	Total balance
Liabilities				
Payable on purchases of securities	-	-	-	-
Accruals	-	150,949	-	150,949
Short term borrowings from the Prime Broker	14,009,104	-	-	14,009,104
Net assets attributable to holders of redeemable shares		24,212,277	-	24,212,277
	14,009,104	24,363,226	-	38,372,330

2013

	Level 1	Level 2	Level 3	Total balance
Assets				
Other receivables	-	25,007	-	25,007
Receivable on sales of securities	-	2,035,121	-	2,035,121
Cash accounts with the Prime Broker	21,370,910	-	-	21,370,910
Cash at bank	1,412,688	-	-	1,412,688
	22,783,598	2,060,128	-	24,843,726

	Level 1	Level 2	Level 3	Total balance
Liabilities				
Payable on purchases of securities	-	2,397,359	-	2,397,359
Accruals	-	563,739	-	563,739
Short term borrowings from the Prime Broker	20,683,260	-	-	20,683,260
Net assets attributable to holders of redeemable shares	-	28,336,210	-	28,336,210
	20,683,260	31,297,308	-	51,980,568

Optimal Japan Trust

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Notes to the financial statements (continued)

As at June 30, 2014

NOTE 5. FINANCIAL ASSETS AND LIABILITIES ANALYSIS – ASSOCIATED RISKS (CONTINUED)

5.5 Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flow.

The majority of the Trust's financial assets and financial liabilities are non-interest bearing, as it mainly invests in listed equities except for its cash balances which are placed on deposit at short term interest rates. The majority of the Trust's cash balances are maintained in JPY and AUD.

JPY interest rates have been minimal throughout the years ended June 30, 2013 and June 30, 2014. The cost of borrowing JPY has also been at minimal rates of interest. As a result, the JPY balances are not subject to significant amounts of risk due to fluctuations in the prevailing levels of JPY market interest rates.

With reference to movements in AUD interest rates during the last twelve months, the Investment Manager considers interests rates could reasonably be expected to move by 25 basis points over the year (2013: 75 basis points). At June 30, 2014, should interest rates have increased/(decreased) by 25 basis points (2013: 75 basis points) with all other variables remaining constant, the increase/(decrease) in the net assets attributable to the unitholders would be approximately AUD 42,350 per annum (2013: AUD 166,000) resulting from interest income on interest earning net cash balances. This does not take into account any impact on management and performance fees.

At the year-end 2014 and 2013, the Trust held no Japanese corporate convertible bonds.

The Investment Manager monitors the Trust's overall interest sensitivity on an ongoing basis with the purpose of maintaining a limited exposure to interest rate risk.

5.6 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign currency exchange rates.

The Trust's financial assets and liabilities are mainly denominated in AUD and JPY. The Trust is therefore exposed to currency risk, as the value of the assets and liabilities denominated in JPY will fluctuate due to changes in exchange rates. The Investment Manager monitors the Trust's net exposure to currency risk with the purpose of maintaining a limited net exposure to currencies other than AUD. The Investment Manager may reduce the foreign currency exposure by using forward foreign exchange contracts. At year-end 2014, short-term borrowings and forward foreign exchange contracts have been used to reduce the Trust's currency exposure against JPY. At year-end 2013, short-term borrowings have been used to reduce the Trust's currency exposure against JPY.

Optimal Japan Trust
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Notes to the financial statements (continued)
As at June 30, 2014

NOTE 5. FINANCIAL ASSETS AND LIABILITIES ANALYSIS – ASSOCIATED RISKS (CONTINUED)

5.6 Currency risk (continued)

The table below summarises the Trust's net exposure to foreign currencies, incorporating the underlying currency risk through all financial assets and liabilities held by it, both monetary and non-monetary and forward foreign exchange contracts. All exposures are stated in AUD equivalents.

	Monetary and non-monetary assets	Monetary and non-monetary liabilities	Forward foreign exchange contracts	Net exposure
2014				
Yen	21,408,331	(14,041,144)	(6,275,053)	1,092,134
Euro	-	(39,169)	-	(39,169)
2013				
Yen	31,890,655	(25,105,028)	-	6,785,627
Euro	23,317	(38,344)	-	(15,027)

The sensitivity analysis has been determined by reference to the volatility of the relevant exchange rates during the last six months which the Trust believes is indicative of potential future volatility. This analysis is based on the sensitivity of the Trust's outstanding foreign currency denominated balances to movement in the AUD against the relevant foreign currencies translated at the statement of financial position date, with all other variables held constant. The analysis is presented gross of the impact, if any, of management and performance fees. Disclosures below are shown in absolute terms and changes and impacts could be positive or negative.

The table below summarises the possible impact of reasonably possible movements of exchange rates to which the Trust is exposed over the last six months through all financial assets and liabilities held by the Trust, both monetary and non-monetary.

	Reasonable possible increase in exchange rate	Impact on the net asset value AUD	Reasonable possible decrease in exchange rate	Impact on the net asset value AUD
2014				
Yen	2.0%	21,414	(2.0%)	(22,288)
Euro	2.2%	(843)	(2.2%)	881
Total impact on net asset value		20,571		(21,407)

Optimal Japan Trust
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Notes to the financial statements (continued)
As at June 30, 2014

NOTE 5. FINANCIAL ASSETS AND LIABILITIES ANALYSIS – ASSOCIATED RISKS (CONTINUED)

5.6 Currency risk (continued)

2013	Reasonable possible increase in exchange rate	Impact on the net asset value AUD	Reasonable possible decrease in exchange rate	Impact on the net asset value AUD
Yen	3.9%	254,706	(3.9%)	(275,379)
Euro	3.9%	(564)	(3.9%)	610
Total impact on net asset value		254,142		(274,769)

5.7 Capital risk management

The Trust's capital structure is represented by the net assets attributable to unitholders. The Trust accepts monthly subscriptions and redemptions at the discretion of unitholders.

The Investment Manager manages the Trust's capital in accordance with the Trust's investment objectives and policies to protect and enhance capital. This includes accepting redemptions and issuing new units in accordance with the Trust deed and supplements thereto. The Trustee has the right to restrict redemptions and require certain minimum holdings and subscriptions.

NOTE 6. FINANCIAL INSTRUMENTS BY CATEGORY

2014	Assets at fair value through profit or loss AUD	Loans and receivables AUD	Total AUD
Financial assets at fair value through profit or loss	23,206,761	-	23,206,761
Other receivables and prepayments	-	10,089	10,089
Cash at bank	-	738,876	738,876
Cash accounts with the Prime Broker	-	16,520,084	16,520,084
Assets as per statement of financial position	23,206,761	17,269,049	40,475,810

2013	Assets at fair value through profit or loss AUD	Loans and receivables AUD	Total AUD
Financial assets at fair value through profit or loss	29,160,062	-	29,160,062
Other receivables and prepayments	-	25,007	25,007
Receivable on sales of securities	-	2,035,121	2,035,121
Cash at bank	-	1,412,688	1,412,688
Cash accounts with the Prime Broker	-	21,370,910	21,370,910
Assets as per statement of financial position	29,160,062	24,843,726	54,003,788

Optimal Japan Trust
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Notes to the financial statements (continued)
As at June 30, 2014

NOTE 6. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2014	Liabilities at fair value through profit or loss AUD	Other financial liabilities AUD	Total AUD
Financial liabilities at fair value through profit or loss	2,103,480	-	2,103,480
Performance fee payable	-	63,423	63,423
Other payables and accrued expenses	-	87,526	87,526
Short term borrowings from the Prime Broker	-	14,009,104	14,009,104
Net assets attributable to holders of redeemable units	-	24,212,277	24,212,277
Liabilities as per statement of financial position	2,103,480	38,372,330	40,475,810

2013	Liabilities at fair value through profit or loss AUD	Other financial liabilities AUD	Total AUD
Financial liabilities at fair value through profit or loss	2,023,220	-	2,023,220
Subscription proceeds received in advance	-	289,955	289,955
Performance fee payable	-	185,062	185,062
Other payables and accrued expenses	-	88,722	88,722
Payable on purchases of securities	-	2,397,359	2,397,359
Short term borrowings from the Prime Broker	-	20,683,260	20,683,260
Net assets attributable to holders of redeemable units	-	28,336,210	28,336,210
Liabilities as per statement of financial position	2,023,220	51,980,568	54,003,788

NOTE 7. SIGNIFICANT AGREEMENTS AND RELATED PARTY TRANSACTIONS WITH AFFILIATES

7.1 Investment management fee

The Investment Manager is entitled to receive a fee, payable monthly in arrears, at the rate of 1% p.a. of the value of the Trust's net assets at each valuation point. The valuation point is the close of business in the last relevant market to close: (a) for weekly valuations, on the last business day in each week; (b) for each dealing day, the last business day in the proceeding calendar month and such other time on such day or days as the Investment Manager may from time to time prescribe.

7.2 Performance fee

Pursuant to the revised Trust Deed dated June 28, 2002 and to the supplemental Trust Deed dated March 8, 2013, for subscriptions on or after June 28, 2002, a new series of units will be issued on each dealing day for the purpose of calculating the performance fee and on which the Investment Manager is entitled to receive a performance fee which is calculated on a new basis.

Optimal Japan Trust Unit Trust

Notes to the financial statements (continued) As at June 30, 2014

NOTE 7. SIGNIFICANT AGREEMENTS AND RELATED PARTY TRANSACTIONS WITH AFFILIATES (CONTINUED)

7.2 Performance fee (continued)

This new performance fee is calculated as 20% of the increase in the net asset value per unit of the relevant series as at the end of the financial year over the Performance Benchmark applicable to such series of units multiplied by the number of units of the relevant series in issue as at the valuation point of the relevant financial year.

The Performance Benchmark of the initial units (i.e. units issued prior to June 28, 2002) is equal to the net asset value per initial unit as at June 30, 2013 multiplied by 105% or, if higher, the highest net asset value per initial unit as at the last valuation point in any previous financial year. In relation to new units (i.e. units issued on or after June 28, 2002), the Performance Benchmark is equal to the highest net asset value per unit of the relevant series as at the last valuation point in any previous financial year or, if higher, the subscription price per unit paid for the unit.

Performance fee I = $[\text{NAV} - (\text{the higher of } 105\% \times \text{NAV } 2013 \text{ or NAV } p)] \times 20\% \times \text{number of units}$.

Performance fee n = $[\text{NAV} - (\text{the higher of NAV sub or NAV } p)] \times 20\% \times \text{number of units}$.

Where: Performance fee I is the performance fee for initial series
Performance fee n is the performance fee for new series
NAV is the net asset value at the year-end date June 30, 2014
NAV 2013 is the net asset value as at June 30, 2013
NAV sub is subscription price per unit paid for the unit
NAV p is the highest net asset value per unit of the relevant series as at the last valuation point in any previous financial year at which a performance fee was paid.

When an investor redeems units during the course of a financial year, the accrued performance fee on the redemption date in respect of the units redeemed will be paid to the Investment Manager.

As at June 30, 2014, the accrued performance fee is AUD 63,423 (June 2013: AUD 185,062).

7.3 Trustee fee

Effective from June 28, 2002, the Trust appointed Optimal Fund Management Pty Limited who, as the new Trustee, agreed to waive their fee effective from the date of appointment.

7.4 Administration fee

The Administrator is entitled to receive fees in relation to its central administration and transfer agency services activities. This includes mainly NAV, bookkeeping and portfolio valuation fees, and management and performance fee calculations. The fee calculation can be transactions-based, progressive-based or flat.

Optimal Japan Trust

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Notes to the financial statements (continued) **As at June 30, 2014**

NOTE 7. SIGNIFICANT AGREEMENTS AND RELATED PARTY TRANSACTIONS WITH AFFILIATES (CONTINUED)

7.5 Related party transactions

In addition to the fees paid by the Trust to the various services providers as stated in Note 7 above, details of other related party transactions are as follows:

Interests in the Trust's units

Warwick Johnson, a director and shareholder of the Investment Manager, held 336,787.602 units in the Trust as at June 30, 2014 (June 30, 2013: 336,787.602 units).

NOTE 8. TAXATION

The Trust is not liable to any Australian income tax or capital gains tax as it is intended that all of the Trust's taxable income will be distributed to Unitholders so that no taxation liability is expected to accrue to the Trustee.

Australian goods and service tax is payable on the fees charged by the Investment Manager and other fees and expenses incurred in Australia. This tax is disclosed separately in the statement of comprehensive income.

The Trust currently incurs withholding tax imposed by Japan on investment income recorded gross of withholding tax in the statement of comprehensive income.

NOTE 9. SHARE CAPITAL

Pursuant to the revised Trust Deed dated June 28, 2002 and to the supplemental Trust Deed dated March 8, 2013, for subscriptions on or after June 28, 2002, a new series of units will be issued on each dealing day for the purpose of calculating the performance fee.

In accordance with the information memorandum, as soon as practicable after the last valuation date in June in each year, all units in all series other than initial series which have borne a performance fee in respect of the relevant year will normally be consolidated to a single series, being the oldest series to have borne a performance fee in respect of the relevant year and carry the same performance benchmark. All units of the initial series will remain as a separate series.

Unit of relevant series other than the initial units then in issue or deemed to be in issue shall be decreased or increased to take into account different performance fees and any other fees, outlays, costs and expenses borne by each series. Accordingly, such differences among different series are adjusted by issuing additional units or redemption of existing units of relevant series at unit consolidation.

The Optimal Japan Fund USD Series was a Cayman Island domiciled company that operated a parallel strategy to the Optimal Japan Trust.

On April 2, 2013, some investors in the Optimal Japan Fund converted their shares into units in the Optimal Japan Trust after the liquidation of Optimal Japan Fund. New units were issued for the equivalent value of the shares in the Optimal Japan Fund.

Optimal Japan Trust Unit Trust

Notes to the financial statements (continued) As at June 30, 2014

NOTE 9. SHARE CAPITAL (CONTINUED)

The movement in units is as follows:

	2014	2013
Number of units at the beginning of the year	2,035,859.818	2,586,299.982
Units issued during the year	491,029.403	1,045,630.149
Units redeemed during the year	<u>(854,867.359)</u>	<u>(1,596,070.313)</u>
Number of units at the end of the year	<u>1,672,021.862</u>	<u>2,035,859.818</u>

NOTE 10. DISTRIBUTION

The Trustee made no distribution in relation to financial year ended June 30, 2013. For the year ended 2014, the annual dividend rate of AUD 2.8013 per unit, with a record date June 30, 2014, has been approved by the Board of Directors.

NOTE 11. COMPARATIVE FIGURES

Certain reclassifications have been made to previously reported amounts to conform to current year presentation, which had no impact on reported net assets attributable to unitholders. The comparative amounts are for the year ended June 30, 2013.

NOTE 12. EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

There has been no significant event after statement of financial position date which in the opinion of the Board of Directors requires disclosure in the financial statements.

NOTE 13. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Trustee on September 29, 2014.

Optimal Japan Trust
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Investment portfolio (unaudited)
As at June 30, 2014

Quantity	Description	Ccy	Fair value (AUD equivalent)	% of net assets
Financial assets held at fair value through profit or loss				
Equities				
28,500	Fujifilm Holdings Corp	JPY	842,034	3.48
35,400	HIS Co Ltd	JPY	1,210,646	5.00
126,000	Hitachi Ltd	JPY	977,779	4.04
26,200	Honda Motor Co Ltd	JPY	969,176	4.00
47,398	Iida Group Holdings Co Ltd	JPY	762,895	3.15
21,200	INPEX Corp	JPY	341,447	1.41
137,000	Isuzu Motors Ltd	JPY	959,979	3.96
74,500	Itochu Corp	JPY	1,013,677	4.19
13,000	Jafco Co Ltd	JPY	602,300	2.49
13,000	Japan Airlines Co Ltd	JPY	761,373	3.14
53,300	Komatsu Ltd	JPY	1,311,085	5.42
29,700	Kyowa Exeo Corp	JPY	447,907	1.85
23,000	Maeda Road Construction Co Ltd	JPY	421,673	1.74
36,000	Mitsubishi Estate Co Ltd	JPY	941,634	3.89
223,400	Mitsubishi UFJ Fin Group Inc	JPY	1,450,911	5.99
21,000	Mitsui & Co Ltd	JPY	356,674	1.47
637,500	Mizuho Financial Group Inc	JPY	1,386,787	5.73
21,100	NIPPO Corp	JPY	376,026	1.55
219,000	Nippon Steel & Sumi Metal Corp	JPY	742,088	3.07
37,100	Nippon Television Network Corp	JPY	681,341	2.81
172,300	Nomura Holdings Inc	JPY	1,292,024	5.34
44,000	Shizuoka Bank (The) Ltd	JPY	503,887	2.08
19,200	Stanley Electric Co Ltd	JPY	530,317	2.19
47,900	Sumitomo Mitsui Fin Group Inc	JPY	2,126,067	8.78
10,000	Takata Corp	JPY	227,575	0.94
228,000	Teijin Ltd	JPY	605,668	2.50
40,000	Toyo Tire & Rubber Co Ltd	JPY	720,794	2.98
37,500	Tsukui Corp	JPY	364,345	1.51
14,300	West Holdings Corp	JPY	228,072	0.94
Total equities			23,156,181	95.64
Forward foreign exchange contracts				
6,328,947	BUY AUD JPY 030714	JPY	50,580	0.21
Total forward foreign exchange contracts			50,580	0.21
Total financial assets held at fair value through profit or loss			23,206,761	95.85

Optimal Japan Trust
Unit Trust

Investment portfolio (unaudited)
As at June 30, 2014 (continued)

Quantity	Description	Ccy	Fair value (AUD equivalent)	% of net assets
Financial liabilities held at fair value through profit or loss				
Equities short				
(14,300)	Japan Exchange Group Inc	JPY	(373,141)	(1.54)
(17,600)	JS Group Corp	JPY	(503,242)	(2.08)
(8,900)	Meiji Holdings Co Ltd	JPY	(624,566)	(2.58)
(26,000)	Yamato Holdings Co Ltd	JPY	(570,758)	(2.36)
Total equities short			(2,071,707)	(8.56)
Futures contracts				
(28)	NIKKEI 225 FUT 09/14 OSX	JPY	(31,773)	(0.13)
Total futures contracts			(31,773)	(0.13)
Total financial liabilities held at fair value through profit or loss			(2,103,480)	(8.69)
Total financial assets and liabilities held at fair value through profit or loss			21,103,281	87.16
Net current assets			3,108,996	12.84
Total net assets			24,212,277	100.00

Optimal Japan Trust
Unit Trust

Investment portfolio (unaudited)
As at June 30, 2013

Quantity	Description	Ccy	Fair value (AUD equivalent)	% of net assets
Financial assets held at fair value through profit or loss				
Equities				
6,800	Ain Pharmaciez Inc	JPY	319,710	1.13
357,000	Aozora Bank Ltd	JPY	1,217,140	4.30
40,500	Arnest One Corp	JPY	867,670	3.06
20,400	Bridgestone Corp	JPY	758,328	2.68
32,000	Credit Saison Co Ltd	JPY	875,962	3.09
24,600	Daiichikosho Co Ltd	JPY	735,081	2.59
6,900	Daito Trust Construction Ltd	JPY	709,531	2.50
8,700	Hajime Construction Co Ltd	JPY	528,164	1.86
249,000	Hitachi Ltd	JPY	1,744,413	6.16
120,800	Itochu Corp	JPY	1,521,188	5.37
104,000	J Front Retailing Co Ltd	JPY	904,733	3.19
22,800	Kadokawa Corp	JPY	796,139	2.81
16,000	KDDI Corp	JPY	907,988	3.21
388,100	Mitsubishi UFJ Fin Group Inc	JPY	2,612,195	9.22
115,800	Mitsubishi UFJ Lease Fin Co Ltd	JPY	598,573	2.11
24,300	Nihon Kohden Corp	JPY	1,012,875	3.57
48,000	NIPPO Corp	JPY	861,533	3.04
58,200	Nissan Motor Co Ltd	JPY	643,279	2.27
172,300	Nomura Holdings Inc	JPY	1,385,202	4.89
152,000	Obayashi Corp	JPY	860,917	3.04
2,700	Oriental Land Co Ltd	JPY	455,512	1.61
8,744	Riso Kyoiku Co Ltd Tokyo	JPY	838,566	2.96
109,000	Sekisui Chemical Co Ltd	JPY	1,262,308	4.46
55,000	Sumitomo Mitsui Fin Group Inc	JPY	2,752,229	9.71
11,000	Sumitomo Realty & Dev Co Ltd	JPY	478,464	1.69
27,200	Suntory Beverage & Food Ltd	JPY	927,345	3.27
273,000	Toshiba Corp	JPY	1,432,160	5.05
17,500	Toyota Motor Corp	JPY	1,152,857	4.07
Total equities			29,160,062	102.91
Total financial assets held at fair value through profit or loss			29,160,062	102.91

Optimal Japan Trust
Unit Trust

Investment portfolio (unaudited)
As at June 30, 2013 (continued)

Quantity	Description	Ccy	Fair value (AUD equivalent)	% of net assets
Financial liabilities held at fair value through profit or loss				
Equities short				
(27,400)	Autobacs Seven Co Ltd	JPY	(454,124)	(1.60)
(32,000)	Ricoh Co Ltd	JPY	(415,281)	(1.47)
(63,300)	Shiseido Co Ltd	JPY	(1,028,241)	(3.63)
Total equities short			(1,897,646)	(6.70)
Futures contracts				
(44)	NIKKEI 225	JPY	(125,574)	(0.44)
Total futures contracts			(125,574)	(0.44)
Total financial liabilities held at fair value through profit or loss			(2,023,220)	(7.14)
Total financial assets and liabilities held at fair value through profit or loss			27,136,842	95.77
Net current assets			1,199,368	4.23
Total net assets			28,336,210	100.00