MONTHLY REPORT TO SHAREHOLDERS OF OPTIMAL JAPAN ABSOLUTE LONG FUND

Optimal FUND MANAGEMENT

Monthly Performance % - *as at 30 April 2015*				
	NAV	**April**	**YTD**	**Strategy AUM**
Offshore Feeder	US$16.503	4.95%	10.99%	US$65M
Topix Return is in USD unhedged using WM London 4pm close		3.44%	13.38%	

Another strong month in Japanese equities and a particularly gratifying one for us as banks and other financials performed strongly and boosted our return. The positive start to 2015 in the Japanese market has also broken the mold by taking place in spite of a slightly firmer Yen. The macro trade since late 2012 (Mr Abe's second coming) had been to be long Nikkei and short the Yen and it certainly worked until this year. We are always reticent to forecast currency movements but perhaps the Japanese economic and financial markets recovery is now solid enough to be self-sustaining without further stimulus from a weaker Yen. Given how strongly the exporters' profit margins have recovered, there are not too many loud calls for further Yen weakness, but Mr Kuroda and his team at the Bank of Japan might still have a different view as they continue to target increased inflation.

The impending introduction of Japan's corporate governance code has attracted a lot of attention and we believe the excitement is largely justified. Although improved governance focuses on a number of major areas, the one which has generated most interest is undoubtedly the one which calls for improvements in RoE. Over the longer-term, it is logical that companies generating higher RoEs should be better equity investments, but in the shorter term, the link between these is not always so strong. The JPX Nikkei 400 Index is meant to be representative of Japanese companies which have higher RoEs (or more accurately, to avoid the lowest RoE companies) and when a futures contract on this index was introduced in late November 2014, there was a good deal of commentary about the likely outperformance of this index against some of the other commonly used ones. Ironically, the JPX Nikkei 400 hit a relative peak against the broader Topix index at almost exactly that time, and has since underperformed marginally.

This underperformance of this index coincides with – and is possibly explained by - the welcome return of the value investment strategy to the podium after an unusually (for Japan) long period when it was eclipsed by a growth strategy. As we have mentioned many, many times over the past fifteen years, Japan has long been a fertile investment destination for value investors, but this has not been the case in the post Lehman era. Banks, which were "growth" stocks back in the Japanese "Bubble" era have spent the intervening 25 years getting cheaper and morphing into "value", and have occupied a significant part of our Fund for all of the current Abe government's reign (two and a half years) and more. We can't claim victory yet, but there has been a very welcome change in the market since the end of January when banks bottomed against Topix and value bottomed against growth. We see this not as a three month aberration, but rather a resumption of the normal state of things in Japanese equities, and we would caution against those thinking they will profit from reversing this and selling financials.

Of course the likely success – or not – of investing in Japanese financials is closely linked to the level of the JGB yield and the direction in which this is heading. It is therefore unsurprising that a 24 year period from 1991 when 10 year JGB yields declined from over 8% to 0.20% also witnessed massive underperformance and actual losses from investing in Japanese banks. Much as one might want to avoid being simplistic, it is very likely to hold true that rising bond yields will see good returns from the banks and other financials. It does not hurt the investment case that banks are also producing 10% RoEs, command 3% dividend yields and are buying back their shares.

The Fund's return in April was boosted by the strong price gains from our big positions in banks and other financials (e.g. Nomura) but there were also strong gains in a number of other industrials including Nidec, Mori Seiki, Mistubishi Electric, Japan Airlines and Nachi-Fujikoshi. The worst performer was Toshiba who have announced they have formed an independent committee to review how they have accounted for expenses incurred in engineering and plant installation contracts over the past few years. While Toshiba's actions to review and redress any possible mistakes are exemplary, the announcement has caused a big sell off in the shares as investors who have seen Olympus and Takata shares smashed from their scandals are taking an "ask questions later" approach. There is insufficient information available for now to form a sensible view on to what extent this impairs value in Toshiba, but a big sell-off is likely to create a good entry point for those with a reasonable amount of patience.

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Recent 3 month Fund Exposure

% of NAV in	Feb 15	Mar 15	Apr 15
Long Stock Positions	93.55	93.91	94.68
Index Futures	-	-	-
Net Exposure	93.55	93.91	94.68

Optimal FUND MANAGEMENT

Should you wish to make an enquiry about the Optimal Japan Absolute Long Fund, please see our website www.optimalasia.com or contact us by email at optimal@optimalasia.com.

Position Concentration

	Top 5	Top 10
Longs	29.86%	49.26%
Total no. of positions	31	

Top Five Positions

Sumitomo Mitsui Financial Group Inc
Mitsubishi UFJ Financial Group Inc
Nomura Holdings Inc
Toshiba Corp
Japan Airlines Co Ltd

Winners

Sumitomo Mitsui Financial Group Inc
Mitsubishi UFJ Financial Group Inc
Sony Corp
Nomura Holdings Inc
Inpex Corp

Losers

Tokyo Electron Ltd
Toshiba Corp
H.I.S. Co Ltd
Mitsui Engineering & Shipbuilding Co Ltd
Mazda Motor Corp

Sector Exposure *as at 30 April 2015*

	Longs		Longs
Consumer Discretionary	13.37%	Health Care	1.69%
Consumer Non-Discretionary	-	Industrials	22.67%
Energy	3.38%	Information Technology	14.73%
Financials	38.84%	Materials	-

Historical Returns- *Optimal Japan Absolute Long Fund Monthly Returns in USD (before Performance Fees) %*

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Topix* YTD
(Inception September 2004)														
2015	-2.45	8.82	-0.37	4.95									10.99	13.38
2014	-6.55	-3.03	-0.52	-3.07	3.71	4.69	0.57	-1.38	2.91	-0.65	3.38	0.96	0.40	-5.25
2013	4.19	1.40	5.18	15.67	-5.74	1.13	0.45	-3.56	8.91	-0.35	2.62	2.14	35.00	24.60
2012	2.84	2.31	1.04	-1.81	-9.47	3.97	-1.30	-1.79	1.73	-1.42	-0.57	5.68	0.37	5.01
2011	1.31	3.89	-9.20	1.72	-0.51	1.02	3.69	-6.40	-3.98	2.70	-4.91	0.83	-10.34	-14.55
2010	2.58	0.19	4.19	1.88	-8.25	-3.15	3.36	-2.39	5.77	3.79	0.36	8.26	16.65	13.67
2009	-5.28	-11.56	3.78	4.75	9.49	2.12	3.11	4.76	-3.58	-2.26	-2.78	-0.38	0.38	2.85
2008	-6.00	2.60	0.15	4.21	1.40	-9.57	-3.85	-7.26	-5.49	-5.14	-4.01	8.78	-22.95	-28.24
2007	1.50	3.69	-1.88	0.33	1.71	1.49	1.27	-4.97	2.18	-1.04	-5.37	-6.57	-7.97	-6.37
2006	3.57	1.22	3.55	2.74	-4.40	-1.32	-1.55	-0.29	-1.51	3.73	1.48	1.94	9.14	0.94
2005	1.61	2.05	-3.83	-0.47	-1.81	-0.58	1.17	6.66	9.32	-0.75	3.25	8.64	27.25	24.59
2004									-1.60	-1.32	6.18	2.52	5.70	8.16

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