

Monthly Performance % - as at 30 November 2012

	NAV	November	FYTD	Strategy AUM
A\$ Series 1	A\$10.58	1.73%	0.38%	US\$40M

Japan has joined the list of countries where equity markets are defying the generally downbeat economic expectations and moving higher. This year's media headlines have been dominated by largely negative stories and yet nearly all equity markets are up. Of the countries that have been under the world news spotlight, only Spain and China continue to show a negative year-to-date return with Japan just nudging into the black when measured by the Topix return in USD.

There is precious little evidence that global central banks' ultra-low interest rate policy is encouraging companies to expand and invest. Nevertheless, positive equity markets imply that the frustration of zero interest on bank deposits and the apparent "return-free risk" of owning government bonds has led both individual and institutional investors to seek higher returns from equities. Although Japan stands out at the top of countries where equity yields are well in excess of bond yields, the list of such countries has grown long as banks and other financial institutions buy bonds for their supposed safe haven status.

Japanese companies continue to shun leverage but continue to look for acquisitions overseas. The latter is driven in no small part by a belief that the Yen must weaken and its current lofty level gives them a once in a generation opportunity to buy foreign assets cheaply. When one considers that the Yen has been rising against the USD (and most other currencies) for most of the past 40 years (Y360/\$ to Y82/\$) one has to question why now is the level at which the Yen should begin to weaken. We would welcome a weaker Yen and it is a view that is increasingly shared by investors as evidenced by the increase in short positions in the Yen in recent months. Many commentators have written about the benefits of a weaker currency for Japanese company profits and by extension equity prices, and last month provides a good example of this. The Yen return on Topix was 5.3% while expressed in USD it was 2%.

The Trust was largely protected from the weaker yen by its FX strategy, but performance was hurt by the very significant strength in global cyclical sectors which had generally performed poorly this year. The flip side of this was the relatively poor showing from domestic sectors which had done better and where the Fund has some of its larger positions. Large caps, exporters and materials sectors did best while small cap, domestic and services generally did worst. Our stock selection in autos lagged (Daihatsu and Unipres) but worked well in Electricals (Hitachi and Mitsubishi Electric) and Banks (SMFG). Failing to have exposure in sectors such as shipping, machinery, glass and steel cost us.

In spite of the disparity in November, the policies espoused by the LDP – who are seen as almost certain winners in next Sunday's election – would, if successfully implemented, be positive for both export industries and domestic ones as financials would benefit from rising asset prices and service industries from greater pricing power.

The Japanese equity market offers attractive income support with good prospects for dividend growth and share buy-backs but in addition, offers genuine capital upside if confidence improves under a new government and with a more stable global environment. We believe it is time for the Agnostics to become bullish.

DISCLAIMER:

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 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.

Recent 3 month Fund Exposure

% of NAV in	Sep 12	Oct 12	Nov 12
Long Stock Positions	76.73	73.10	79.13
Short Stock Positions	-18.96	-19.60	-19.01
Index Futures	-21.00	-20.69	-16.43
Equity Derivatives	-	-	-
Net Exposure	36.77	32.81	43.69

Optimal FUND MANAGEMENT

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

Position Concentration

	Top 5	Top 10
Longs	33.30%	51.96%
Shorts	-12.71%	-
Total no. of positions	34	

Top Five Positions

Sumitomo Mitsui Financial Group Inc
Mitsubishi UFJ Financial Group Inc
Hitachi Ltd
Itochu Corp
Sumitomo Realty & Development Co Ltd

Winners

Hitachi Ltd
Sumitomo Mitsui Financial Group Inc
Nissan Motor Co Ltd
Mitsubishi UFJ Financial Group Inc
Mitsubishi Electric Corp

Losers

Nikkei Index Futures (short)
Ain Pharmaciez Inc
Japan Tobacco Inc (short)
SBI Holdings Inc (short)
Seria Co Ltd

Sector Exposure as at 30 November 2012

	Longs	Shorts	Net
Consumer Discretionary	14.75%	-2.97%	11.78%
Consumer Non-Discretionary	1.21%	-2.06%	-0.85%
Financials	23.40%	-	23.40%
Futures	-	-16.43%	-16.43%
Industrials	21.78%	-6.35%	15.43%
Information Technology	11.90%	-7.63%	4.27%
Telecommunications	6.09%	-	6.09%

Performance Contribution	Longs	Shorts	Futures	Other	FX Forwards	Total
November 2012	3.23%	-0.30%	-1.20%	0.00%	N/A	1.73%

DISCLAIMER:

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 not representing 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.

Historical Returns – Distribution Reinvested

Annual Distributions

Optimal Japan Trust Net Monthly Returns in AUD %

Year to Jun 00 A\$1.4158	Year to Jun 01 A\$0.8989	Year to Jun 02 A\$0.8983	Year to Jun 04 A\$0.4713
Year to Jun 05 A\$1.4218	Year to Jun 06 A\$1.24	Year to Jun 07 A\$2.4179	

Year to June	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
--------------	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	------

Series 1 (Inception August 2002)

2012/2013	-1.80	-1.06	1.17	0.39	1.73								0.38
2011/2012	-0.36	-3.94	-0.74	-0.09	-2.54	-0.29	1.16	4.87	1.46	-2.87	-4.99	2.53	-6.06
2010/2011	0.49	-1.96	2.89	0.97	1.34	3.89	3.38	2.12	-3.46	-0.54	0.90	0.09	10.32
2009/2010	0.28	2.59	-4.87	-0.66	-5.15	3.02	1.95	-1.53	5.74	2.76	-5.91	-3.24	-5.66
2008/2009	-0.83	-5.34	-0.09	-0.44	-6.38	3.22	-1.74	-2.15	1.91	0.47	0.84	-0.46	-10.84
2007/2008	-0.87	-6.98	1.88	0.35	-6.70	-4.69	-6.67	2.21	-0.67	6.20	1.34	-5.91	-19.57
2006/2007	-0.79	1.43	0.13	2.10	0.77	2.49	1.99	0.55	-1.03	1.35	3.45	2.28	15.65
2005/2006	1.81	3.68	6.81	1.36	2.41	4.38	1.82	0.43	3.86	0.35	-4.05	0.18	25.14
2004/2005	-2.14	4.01	0.23	-1.21	1.30	1.51	2.74	2.02	0.07	-0.14	0.99	1.47	11.24
2003/2004	1.54	5.20	3.86	3.55	-1.67	3.06	-0.33	1.24	7.11	0.15	-1.14	3.93	29.46
2002/2003			1.68	-4.38	-3.66	-0.42	1.80	1.98	0.41	-0.10	2.55	3.48	3.07

Initial Series (Inception December 1999)

2012/2013	-1.71	-1.10	1.11	0.37	1.73								0.36
2011/2012	-0.42	-3.90	-0.79	-0.09	-2.49	-0.27	1.10	4.89	1.47	-2.89	-4.99	2.49	-6.16
2010/2011	0.47	-1.86	2.84	1.01	1.36	3.86	3.37	2.09	-3.44	-0.51	0.85	0.17	10.44
2009/2010	0.26	2.54	-4.79	-0.72	-5.15	3.05	1.94	-1.54	5.81	2.70	-5.94	-3.25	-5.71
2008/2009	-0.78	-5.37	-0.08	-0.42	-6.38	3.23	-1.74	-2.21	1.90	0.53	0.79	-0.44	-10.82
2007/2008	-0.89	-6.99	1.85	0.40	-6.68	-4.73	-6.62	2.17	-0.71	6.19	1.42	-5.97	-19.60
2006/2007	-0.77	1.46	0.13	2.72	0.99	2.62	1.96	0.58	-0.99	1.35	3.47	2.23	16.82
2005/2006	2.38	4.15	6.71	1.31	2.39	4.30	1.82	0.42	3.79	0.34	-4.04	0.24	26.09
2004/2005	-2.26	4.03	0.82	-1.55	1.65	1.92	2.83	2.05	0.00	-0.14	1.04	1.37	12.22
2003/2004	1.91	5.90	3.81	3.58	-1.73	3.02	-0.33	1.22	7.01	0.23	-1.20	3.95	30.56
2002/2003	-1.46	-1.39	2.04	-4.47	-3.65	-0.44	1.80	1.98	0.41	-0.20	2.65	3.97	0.89
2001/2002	-2.87	1.49	-3.58	1.77	-3.89	-5.46	1.10	1.47	2.07	-0.26	7.13	-2.92	-4.54
2000/2001	-9.05	4.02	-0.37	0.90	-0.18	-3.86	-2.34	3.13	1.36	8.47	-2.14	3.96	2.82
1999/2000						0.58	-0.32	12.76	8.99	-1.53	2.45	11.82	38.99

DISCLAIMER:

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 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.