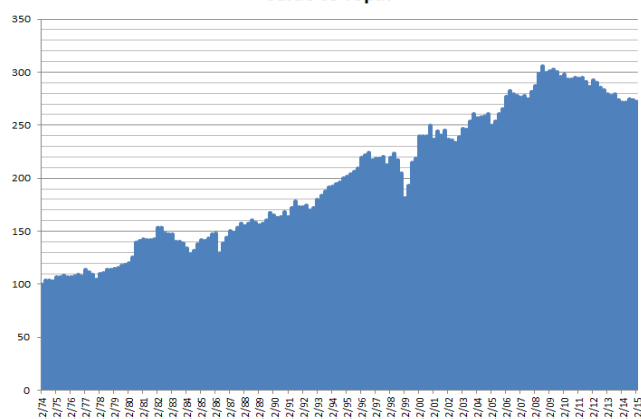


Monthly Performance % - as at 30 November 2015

	NAV	November	YTD	AUM
A\$ Series 1	A\$12.106	-0.53%	0.95%	A\$12M

The markets continue to exhibit skittishness and concerns about the future. Growth stocks have smashed Value stocks in Japan for the past six years, and as far as we watch this, in other countries as well. When economic growth is strong, investors look for the cheapest stocks (value) and conversely, when growth prospects are poor, they tend to seek out companies whose sales and profits outlook are relatively good (growth). Despite – or more likely, because – interest rates everywhere are so low, people are concerned that this signifies governments and central banks have run out of ideas, and will thus buy steady income streams – no matter how feeble – at prices that in more normal rates environments would have been inconceivable. If a deposit yields just about nothing, paying forty times earnings for a low margin food maker is not too crazy. We know there are far better income streams to buy, but they come with less certainty and so carry far less appeal to the contemporary institutional investor.

Value vs Topix



Source: Bloomberg

Investment returns are determined by what one owns, but in a relative sense, it is often more a case of what one has not owned. In 2015, the best three performing sectors have been Pharmaceuticals, Retail and Foods with Land Transport (railways and truckers) and Construction also making it into the top 10. All these sectors are expensive, with Pharma at the top on 42x reported earnings and Land Transport the least expensive on 19 times. All are priced well above the market and offer modest – or at least patchy – earnings growth prospects. If one believes that valuations revert to the mean, as we do, these are unattractive investments. That is hardly a comfort however when these sectors continue to be among the better performers, so we continue to ask ourselves what we are missing. Is it strong margin improvement and solid topline growth?

There is some margin improvement in the food sector as price hikes are sticking, but the rate of improvement does not justify excessive valuations in our opinion. The pharma sector has been supported by some of the larger caps offering good dividends, but we think relative earnings stability has been the investment appeal in the sector. Retail we fundamentally like, and have exposure there through Izumi but balk at the prices at which other less attractive companies sell for. At least the banks have not lagged behind and are up almost 10% YTD, but the real estate sector has belied very solid industry fundamentals and is down 2% in 2015.

This week we learned that Japan has “avoided” recession due to a revision up of both the June quarter GDP (to a small negative) and the September quarter number (from negative to positive). Someone must care, but surely not that much. The frequency and size of revisions to GDP make it difficult to keep track of growth, but more importantly, call into question the value of the information conveyed by each data release. For once, the market seemed to shrug this news off without much of a reaction. Had this revision been released in a stronger market environment, it is likely that it would have prompted a more positive response but as global markets had a poor week, they carried more sway in the Japanese equities than a none-too-surprising positive revision to quarterly GDP.

In a year when global equities markets are struggling, Japan continues to recover with firmer pricing, better private consumption and good earnings growth overall. As an importer of commodities, Japanese industry has had a shot in the arm from the bear market in energy and metals and in spite of general weakness in the materials sectors, the weaker Yen has softened the blow of falling USD prices to no small degree. Years of disappointment and let-down has led global investors to look with scepticism on claims of a turnaround in Japan’s economic and corporate conditions, but we are convinced that the recovery under PM Abe has plenty of legs yet. Time will tell the wiser.

***Investors in the Optimal Japan Trust should be aware that at the end of June, the Trustee has appointed Apex Fund Services as administrator and ANZ Bank as cash custodian in place of EFA and Kredietbank (Luxembourg). There are no changes in dealing terms or procedure or in the other service providers to the fund. We attach the updated PPM with this monthly email and should you need any help with communications with the new administrator, please contact Shinobu Takano of Optimal at [shinobu.takano@optimalasia.com](mailto:shinobu.takano@optimalasia.com).***

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**Strong Business Relationships**  
Drive long term success

**Optimal** FUND MANAGEMENT

#### Recent 3 month Fund Exposure

% of NAV in	Sep 15	Oct 15	Nov 15
Long Stock Positions	102.01	98.55	90.56
Short Stock Positions	-6.01	-12.75	-13.39
Index Futures	-20.71	-20.31	-20.36
Index Options	-	-	-
Net Exposure	75.29	65.49	56.81

#### Optimal FUND MANAGEMENT

Should you wish to make an enquiry about the Optimal Japan Trust, please see our website [www.optimalasia.com](http://www.optimalasia.com) or contact us by email at [optimal@optimalasia.com](mailto:optimal@optimalasia.com).

#### Position Concentration

	Top 5	Top 10
Longs	30.93%	50.62%
Shorts	-11.99%	-
Total no. of positions	33	

#### Top Five Positions

Sumitomo Mitsui Financial Group Inc  
Mitsubishi Estate Co Ltd  
Mitsubishi UFJ Financial Group Inc  
Nomura Holdings Inc  
Hitachi Ltd

#### Winners

Nishio Rent All Co Ltd  
Toridoll.corporation  
Tokyo Electron Ltd  
Kasai Kogyo Co Ltd  
Mitsubishi Electric Corp

#### Losers

Nikkei Index Futures (short)  
Japan Airlines Co Ltd  
Sony Corp  
Sumitomo Mitsui Financial Group Inc  
Nomura Holdings Inc

#### Sector Exposure as at 30 November 2015

	Longs	Shorts	Net
Consumer Discretionary	20.55%	-	20.55%
Consumer Non-Discretionary	-	-2.00%	-2.00%
Energy	-	-	-
Financials	31.95%	-	31.95%
Futures	-	-20.36%	-20.36%
Health Care	-	-5.01%	-5.01%
Industrials	29.83%	-1.42%	28.41%
Information Technology	8.23%	-3.56%	4.67%
Materials	-	-1.40%	-1.40%
Telecommunications	-	-	-

Performance Contribution	Longs	Shorts	Futures	Other	FX Forwards	Total
November 2015	0.06%	-0.18%	-0.63%	-3.02%	3.24%	-0.53%

**SYDNEY:** Level 5, Wyoming, 175 Macquarie St, Sydney NSW 2000 **Phone:** 61 2 8239 3300 **Fax:** 61 2 8239 3333 **Email:** [optimal@optimalasia.com](mailto:optimal@optimalasia.com)

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**Historical Returns – Distribution Reinvested**

**Annual Distributions**

*Optimal Japan Trust Net Monthly Returns in AUD %*

<b>Year to Jun 00</b> A\$1.4158	<b>Year to Jun 01</b> A\$0.8989	<b>Year to Jun 02</b> A\$0.8983
<b>Year to Jun 04</b> A\$0.4713	<b>Year to Jun 05</b> A\$1.4218	<b>Year to Jun 06</b> A\$1.2446
<b>Year to Jun 07</b> A\$2.4179	<b>Year to Jun 14</b> A\$2.8013	<b>Year to Jun 15</b> A\$0.2631

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>Series 1 (Inception August 2002)</b>													
2015	-3.51	6.35	-0.72	3.61	3.41	-2.69	1.03	-6.01	-7.96	9.34	-0.53		0.95
2014	-5.91	-2.71	0.37	-1.68	3.12	4.40	0.27	-1.02	1.90	-0.08	2.37	1.32	1.92
2013	6.42	0.75	3.82	12.97	-3.76	2.58	1.72	-2.82	8.21	-2.62	1.03	1.57	32.71
2012	1.16	4.87	1.46	-2.87	-4.99	2.53	-1.80	-1.06	1.17	0.39	1.73	6.05	8.41
2011	3.38	2.12	-3.46	-0.54	0.90	0.09	-0.36	-3.94	-0.74	-0.09	-2.54	-0.29	-5.57
2010	1.95	-1.53	5.74	2.76	-5.91	-3.24	0.49	-1.96	2.89	0.97	1.34	3.89	7.03
2009	-1.74	-2.15	1.91	0.47	0.84	-0.46	0.28	2.59	-4.87	-0.66	-5.15	3.02	-6.14
2008	-6.67	2.21	-0.67	6.20	1.34	-5.91	-0.83	-5.34	-0.09	-0.44	-6.38	3.22	-13.41
2007	1.99	0.55	-1.03	1.35	3.45	2.28	-1.01	-6.98	1.88	0.35	-6.70	-4.69	-8.88
2006	1.82	0.43	3.86	0.35	-4.05	0.18	-0.79	1.43	0.13	2.10	0.77	2.49	8.85
2005	2.74	2.02	0.07	-0.14	0.99	1.47	2.01	3.68	6.81	1.36	2.41	4.38	31.38
2004	-0.33	1.24	7.11	0.15	-1.14	3.93	-2.22	4.01	0.23	-1.21	1.30	1.51	15.15
2003	1.80	1.98	0.41	-0.10	2.55	3.48	1.54	5.20	3.86	3.55	-1.67	3.06	28.63
2002									1.68	-4.38	-3.66	-0.42	-6.73

**Initial Series (Inception December 1999)**

2015	-3.52	7.22	-1.04	4.71	3.35	-2.69	1.33	-6.28	-7.96	9.35	-0.54		2.49
2014	-5.74	-2.71	0.35	-1.66	3.10	4.44	0.17	-0.96	1.86	-0.08	2.46	1.24	2.07
2013	6.42	0.71	3.86	12.97	-3.76	2.51	1.77	-2.81	7.91	-2.42	1.11	1.36	32.43
2012	1.10	4.89	1.47	-2.89	-4.99	2.49	-1.71	-1.10	1.11	0.37	1.73	6.09	8.33
2011	3.37	2.09	-3.44	-0.51	0.85	0.17	-0.42	-3.90	-0.79	-0.09	-2.49	-0.27	-5.53
2010	1.94	-1.54	5.81	2.70	-5.94	-3.25	0.47	-1.86	2.84	1.01	1.36	3.86	7.03
2009	-1.74	-2.21	1.90	0.53	0.79	-0.44	0.26	2.54	-4.79	-0.72	-5.15	3.05	-6.16
2008	-6.62	2.17	-0.71	6.19	1.42	-5.97	-0.78	-5.37	-0.08	-0.42	-6.38	3.23	-13.38
2007	1.96	0.58	-0.99	1.35	3.47	2.23	-1.02	-6.99	1.85	0.40	-6.68	-4.73	-8.90
2006	1.82	0.42	3.79	0.34	-4.04	0.24	-0.77	1.57	0.13	2.72	0.99	2.62	10.04
2005	2.83	2.05	0.00	-0.14	1.04	1.37	2.63	4.15	6.71	1.31	2.39	4.30	32.45
2004	-0.33	1.22	7.01	0.23	-1.20	3.95	-2.34	4.03	0.82	-1.55	1.65	1.92	16.12
2003	1.80	1.98	0.41	-0.20	2.65	3.97	1.91	5.90	3.81	3.58	-1.73	3.02	30.43
2002	1.10	1.47	2.07	-0.26	7.13	-2.92	-1.59	-1.39	2.04	-4.47	-3.65	-0.44	-1.42
2001	-2.34	3.13	1.36	8.47	-2.14	3.96	-3.09	1.49	-3.58	1.77	-3.89	-5.46	-1.22
2000	-0.32	12.76	8.99	-1.53	2.45	11.82	-9.05	4.53	-0.37	0.90	-0.18	-3.86	26.75
1999												0.58	0.58

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