

◆ Overview

Share Class	Dec/30/2011				NAV Return (%)		
	NAV		AUM		Dec	YTD	ITD
USD Hedge Class	103.37	USD	6,202,266	USD	0.74	0.15	3.37
JPY Class	10,271	JPY	102,705,112	JPY	0.67	-0.13	2.71

Inception: May 14, 2010

◆ Company and Fund Manager Profile

Simplex Asset Management Co., Ltd. (the "Simplex"), founded in 1997, is the Japan's leading hedge fund and that is an independent investment management firm. Simplex today manages the net assets of app. US\$ 1.9 billion. **J-Flag Investment Co., Ltd (the "J Flag")** was founded in May 2009 by Hisashi Osezawa who was formerly a fund manager at JP Morgan Asset Management and Shinwako Investment Management. Simplex and J Flag together launched the Simplex J Flag Absolute Return Fund, the Japanese Investment Trust in July 2009. The offshore fund named **Simplex J Flag Fund (the "Fund")** targeted for global investors was launched in May 2010.

◆ Strategies

Strategy: Long / Short in Japanese small cap equities

Investment Style: Growth at Reasonable Price

Long side: Invest in micro/small cap with a growth potential. Invest in stocks the prices of which could grow by 5x to 10x

Short side: Based on an investment idea of an individual stock. In a case of market downturn, used as a hedge tool of the long portfolio

Target return: 15% (per annum, after fees)

Risk: Volatility of less than 10%

◆ Fund Manager's Comments

The Japanese equity market in Dec. was steady towards the middle of the month following the sentiment from the previous month-end, however, TOPIX ended no better than the previous month-end. Stocks in the Japanese emerging markets moved firmly during the month relative to major Japanese markets. The return of our fund stayed in the plus range and overperformed TOPIX slightly. We maintained a cautious investment stance this month. We reduced both long and short positions, consequently the cash position was increased. In the long portfolio, we switched a few positions(Long 23.4%→18%, Short 1.1%→0%) and strengthened the small cap bias. Going forward, we will maintain the current cautious investment stance for a while and will look for next investment opportunities. In case we foresee any investment opportunities, we will add on a further return by building positions quickly.

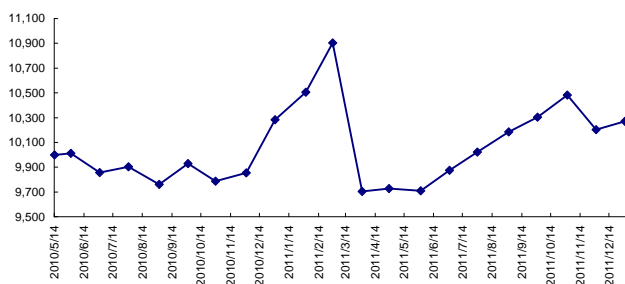
◆ NAV Return: USD Hedge Class

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	YTD
2010	—	—	—	—	0.18%	-1.49%	0.58%	-1.37%	1.76%	-1.40%	0.60%	4.45%	3.22%
2011	2.17%	3.80%	-10.92%	0.28%	-0.18%	1.72%	1.49%	1.66%	1.18%	1.74%	-2.69%	0.74%	0.15%
2012													

◆ NAV Return: JPY Class

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	YTD
2010	—	—	—	—	0.12%	-1.56%	0.49%	-1.43%	1.72%	-1.45%	0.69%	4.36%	2.84%
2011	2.16%	3.79%	-11.01%	0.25%	-0.19%	1.69%	1.51%	1.63%	1.16%	1.73%	-2.66%	0.67%	-0.13%
2012													

◆ Performance since inception: JPY Class



◆ Equity Investment Ratio

	Long	Short
Equity	18.0%	0.0%
Number of equities positions	16	0
Other	-2.9%	
Cash	84.9%	
Total	100.0%	

◆ Top 3 Holdings

Long		Short	
Company type	Holding	Company type	Holding
Internet	3.96%		
Commercial Services	2.97%		
Distribution/Wholesale	2.35%		

◆ Value at Risk (Annualized Basis)

VaR	6.66%
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◆ Fund Terms Summary

Name: Simplex J Flag Fund
Investment Manager: Simplex Global Investments Limited
Investment Advisor: Simplex Asset Management Co., Ltd.
Investment Sub Advisor: J-Flag Investment Co., Ltd
Fund Type: An Exempted Company domiciled in Cayman Islands

Subscriptions: monthly
Redemptions: monthly with a 30-days prior notice
 (3% penalty shall be imposed for the first 6 months)

Management Fee: 1% per annum
Incentive Fee: 20% on the annual appreciation
Prime Broker: Deutsche Bank AG
Auditor: PricewaterhouseCoopers
Legal Adviser: Maples and Calder

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