

Prospect Japan Fund

Bloomberg	PJF LN	NAV Performance (USD) %				
		April	YTD	1 Year	3 Year	
Yen / USD	80.15					
NAV (USD)	0.98	Prospect Japan Fund	2.08	15.29	7.69	108.51
Price (USD)	0.80	Topix Small Index	-1.63	8.97	10.09	50.52
Premium/ Discount %	-18.24%					

Prospect Japan Fund inception date is 20 December 1994. Above performance of the Fund is net of fees and expenses and includes reinvestment of dividends and capital gains. Topix Small Cap Index (TPXSM) performance cited above is the total return including the reinvestment of net dividends into the index denominated in US Dollars (Source: Bloomberg). One cannot invest directly in an index. TPXSM is a capitalization - weighted index designed to measure the performance of the stocks listed on the First Section of the Tokyo Stock Exchange, excluding the TOPIX 500 stocks and non-eligible stocks.

The NAV is published in the 'Other Offshore Funds' column of the Financial Times. The NAV and Price are located on Bloomberg page PJF LN. The NAV and Indicated Prices are also listed on Bloomberg page LCFR and Reuters page LCFR07.

The Fund gained 2.08% for the month, while the Topix Small Index lost -1.63%.

Positive performance came from Growell Holdings (3141), Zuiko (6279), and Gro-Bels (3528). Growell Holdings, a drug store chain, announced solid first half results on 13th April with sales growth of +9.7% year-on-year and recurring profit growth +18.3%. Strong same-store-sales of +4.2% compared to estimates of +3.5% helped boost sales and profitability. Growell proudly announced they are moving to the Tokyo Stock Exchange's First Section from the Second Section on 27th April. Zuiko, a manufacturer of machinery for producing sanitary supplies such as diapers and napkins, revised earnings upwards on 6th April. For the full year, Zuiko increased sales by 35.5% year-on-year and operating profits by 9.4%. The order book swelled by 37.2%. Gro-Bels, a Tokyo based condominium developer, announced an upward revision to full year forecasts on 13th April and reinstated the dividend to JPY 1.

Weakness in the Fund was attributed to Shibusawa Warehouse (9304) and Tri-Stage (2178). Shibusawa Warehouse, a provider of warehousing and inland/maritime transport services, revised earnings downward on 27th April. The downward revision primarily impacted net income (-36.7%) due to an extra-ordinary loss of JPY 263 million from securities valuation losses. Tri-Stage, a marketing of goods and services via television shopping commercials, continues to struggle posting negative monthly sales figures for the ninth month in a row. Tri-Stage is debt free, with a cash balance of JPY 7.2 billion (30 April) and market capitalization of JPY 6.8 billion (30 April).

The market fell in early April as the Bank of Japan put off additional monetary easing until its second meeting of the month on 27th April. The Bank of Japan increased its easing initiative by JPY 5 trillion to 70 trillion. The asset purchase program expanded by JPY 10 trillion to 40 trillion includes a JPY 10 trillion increase for Japan Government Bond purchases and extends the maximum maturity of government bond purchases in the program to three years, from two years. Meanwhile the Japanese Yen

commenced another push to the upside versus the US dollar, closing at 79.82 JPY to the US dollar the end of the month (an appreciation of 3.7% over the previous months close).

Full year earnings results are in full swing; 42% of Topix (ex-financials) announced results as of 27th April. The results were weak as expected; sales -0.2% year-on-year and recurring profits were -24.3% year-on-year. Company guidance for fiscal year March 2013 is rather upbeat expecting sales to grow +7.6% and recurring profits to grow 21.9%.

Japanese companies typically announce guidance for the next period in tandem with full year earnings disclosure. At the end of 2011, the Tokyo Stock Exchange announced plans to abolish this practice and allow more flexible disclosure by firms, effective 21st March. Companies have the option to disclose earnings estimates in the traditional manner or to change their estimates format. A survey by the Japan Investor Relations Association notes that 70% of companies will continue to use the existing reporting format for fiscal year March 2012 results with the remainder of companies undecided.

J-REIT

The TSEREIT index was up 1.05% month-on-month, outperforming the Nikkei 225's -3.03% month-on-month performance.

The allotment for J-REIT unit purchases by the Bank of Japan was increased by JPY 10 billion to JPY 120 billion, as part of the 27th April expansion of the broader Asset Purchase Plan. The BoJ executed two purchases of J-REIT units during the month for a combined JPY 3.4 billion, bringing the total purchased amount to JPY 76.6 billion (63.8% of total). The deadline for purchases was extended by six months to the end of June 2013.

There was a total JPY 2.3 billion in property acquisitions announced during the month, along with JPY 1.4 billion in dispositions.

The TSEREIT index is up +13.27% year-to-date, versus the Nikkei 225 index's +8.68% rise.

Note: As of 30th April, 2012, of the Fund, Tri-Stage (2178) is 8.23%, Growell Holdings (3141) is 7.20%, Gro-Bels (3528) is 3.68%, Zuiko (6279) is 0.97%, and Shibusawa Warehouse (9304) is 8.39%.

Sector Weightings

Advertising	8.2
Apparel	4.2
Beverages	9.2
Engineering & Construction	10.2
Internet	1.0
Investment Companies	3.7
Machinery-Diversified	1.0
Real Estate	0.9
REITs	9.4
Retail	14.7
Storage/Warehousing	8.4
Total**	70.8
No of Positions	17

Top 10 Holdings

Symbol	Security	% of Total Assets
1921	TOMOE CORP	10.2
2533	OENON HOLDINGS INC	9.2
gktaihei	GODO KAISHA TAIHEIYO JISHO #1 BOND	8.8
9304	SHIBUSAWA WAREHOUSE CO LTD/THE	8.4
2178	TRI-STAGE INC	8.2
3141	GROWELL HOLDINGS CO LTD	7.2
8205	SHAKLEE GLOBAL GROUP INC	5.5
8963	INVINCIBLE INVESTMENT CORP (REIT)	5.1
3001	KATAKURA INDUSTRIES CO LTD	4.2
3528	GRO-BELS CO LTD	3.7

Percentage weightings are Prospect Asset Management's internal calculations and have not been reconciled by the administrator.

**Results of calculations as presented may not be exact due to rounding and precision of stored values.

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The Prospect Japan Fund “Company” is a closed-end investment company incorporated in Guernsey and listed on the London Stock Exchange. The Company's investment objective is to achieve long-term capital appreciation from a portfolio of securities primarily of smaller Japanese companies listed or traded on Japanese Stock Markets.

There are risks involved with investing, including possible loss of principal. In addition to the normal risks associated with investing, narrowly focused investments, investments in smaller companies, illiquid investments and investments in a single country typically exhibit higher volatility. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations.

Fund price and index performance calculations are obtained from Bloomberg and are as of the end of the month. NAV performance calculations are provided by PAMI and are un-audited. As of August 2003, the benchmark index changed from TSE2 to Topix Small since its characteristics with respect to average market capitalization more closely resemble the investment strategy pursued by the portfolio. The investment return and principal value of an investment will fluctuate so that an investor's shares when redeemed may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. Additional information regarding policies for calculation and reporting returns is available upon request.

The Board of the Prospect Japan Fund decided that the PJF should become a member of the AIC (The Association of Investment Companies) in 2005. The AIC only accepts valuations where the underlying assets are valued on a 'Fair' basis, which in the case of PJF, means on a bid basis (per the AIC). Upon the Prospect Japan Fund's Board approval, the Fund's administrator Northern Trust made a change to the pricing methodology in February 2006, whereby underlying assets in the Fund are valued using the 'last bid price.' Consequently, the Fund's Net Asset Value and performance from February 2006 reflects the change in this pricing methodology. In addition, in newsletters from February to September 2006, as a result of the new pricing methodology, Prospect had been calculating a performance based on an un-rounded Net Asset Value. In October 2006, Prospect made a decision to calculate performance based on a Net Asset Value rounded to the nearest hundredth. Therefore, the monthly performance from February to September was modified to reflect this change. The performance from October 2006 and going forward will incorporate this change.

Prospect Asset Management Inc. is registered as an investment adviser under the United States Investment Advisers Act of 1940, as amended, with Securities and Exchange Commission number 801-47749. The company specializes in investment in Japanese equities and real estate and seeks investments offering what PAMI considers above average earnings while trading at reasonable valuations.