

Prospect Japan Fund

Bloomberg	PJF LN	NAV Performance (USD) %				
		November	YTD	1 Year	3 Year	
Yen / USD	82.67					
NAV (USD)	0.99	Prospect Japan Fund	-1.00	17.86	22.22	35.62
Price (USD)	0.81	Topix Small Index	1.13	3.92	5.28	20.43
Premium/ Discount %	-18.47%					

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 retreated 1.00% during the month of November, underperforming the Topix Small Index' 1.13% gain. The Fund continues to strongly outperform, gaining 17.86% year-to-date versus the Topix Small Index' 3.92% increase. With a cash position of 14%, the Fund is positioned to take advantage of low valuations.

Positive performance came from Shaklee Global Group (8205) and OPT Inc (2389). Shaklee Global Group, a seller of nutrition and personal care products, which gained 3.98% month-on-month, extending strong October gains, and reaching a 5-year high after reporting strong H1 results, and raising full year forecasts to sales and profits. OPT Inc, an Internet advertising agency, rose sharply after raising full year guidance.

Weakness in the Fund came from Katakura Industries (3001) and Invincible Investment (8963). Katakura Industries, a shopping mall operator engaged in the manufacture and sale of textiles, pharmaceuticals, and auto parts, saw its share price retreat after missing 3Q guidance.

Economic conditions continue to be challenging, with the Finance Ministry reporting a 6.5% yoy decline in exports in October, resulting in a JPY 549 billion trade deficit. Ongoing territorial disputes with China are partially to blame, with Japanese shipments to China declining 11.6% yoy in October. The European quagmire has also taken its toll, with a 20.1% yoy decline in exports to EU nations. Exports to the US rose 3.1% yoy.

Economic releases for October offered some positive data, with inflation (ex fresh food) flat y-o-y, after 5 months of decline, and industrial production +1.8% m-o-m following three consecutive months of decline.

Despite the tenuous state of the economy, the market reached a 6-month high on sharp weakening of the yen following the announcement of elections next month, and the likelihood of the main opposition Liberal Democratic Party regaining power. Former Prime Minister, and LDP leader Shinzo Abe has called for unlimited Bank of Japan monetary easing and an inflation target of 2%. He was also vowed to halt the planned 2014 sales tax increase should deflation persist.

There has been backlash regarding some of Abe's proposals, including higher defense spending and tightened control over the islands at the heart of the current tensions with China, and a call for curtailing the independence of the central bank.

The reality of a resurgent LDP's ability to shape policy may be overstated, as legislation will still need to pass the upper house, which remains firmly in DPJ control. Regardless, more aggressive BoJ action can be expected with the appointment of a new governor from April 2013, and there is also the possibility of additional fiscal stimulus.

The Bank of Japan left policy unchanged this month, after expanding its asset purchase program for two consecutive months. Expectations are for a further round of stimulus to be announced following the December elections. The government announced a further JPY 1 trillion in fiscal stimulus, funded through budget reserves. This is in addition to JPY 750 million announced last month.

November was host to a rare hostile takeover bid between two domestic companies, with PGM (2466) to bid for a 50.1% stake in Accordia Golf (2131) for JPY 42.5 billion. PGM's bid of JPY 81,000 /share was a 52.3% premium over the previous days close, though still a 6% discount to stated book value. With around 70% of TOPIX 1st section companies trading below 1.0x book value, a successful bid could be an opening salvo in deep value driven domestic consolidation. Accordia Golf is reported to have hired Daiwa Securities as an advisor to counter the TOB, and is looking into ways to add value to shareholders who may be tempted to sell.

Miki Shoji reported that office vacancy in Tokyo's Central Business District declined 16 bps month-on-month to 8.74% in October, a 13 month low. This marks the fourth consecutive month of lower vacancies. Mori Trust (private) joined Mitsubishi Estate (8802) in signaling an increase in its Tokyo property rents in 2013.

REIT

In USD, the TSEREIT index saw a total return of -1.70% month-on-month, trailing the Nikkei 225's +2.38%

month-on-month performance. J-REIT retreated during the first half of the month, after reaching 17-month highs, and equity issuances put pressure on supply-demand conditions. The market rebounded strongly in the second half of the month, on expectations of continued easing and recovery in underlying real estate fundamentals.

kura Industries (3001) is 9.05%, and Shaklee Global Group (8205) is 8.28%. Accordia Golf (2131), PGM (2466), GLP J-REIT (3281), Mitsubishi Estate (8802), and Heiwa Real Estate REIT (8966) are not holdings of the Fund.

The Bank of Japan refrained from J-REIT unit purchases during the month. At the end of November, the total amount of J-REIT units purchased is JPY 111.1 billion (85.5% of total allotment).

GLP Logistics announced the IPO of GLP J-REIT (3281), a logistics facility J-REIT. GLP J-REIT will issue 1,834,599 units for an expected JPY 110.1 billion, with proceeds going towards the purchase of 33 properties. GLP J-REIT plans to list on 21 December with AUM of JPY 221.3 billion.

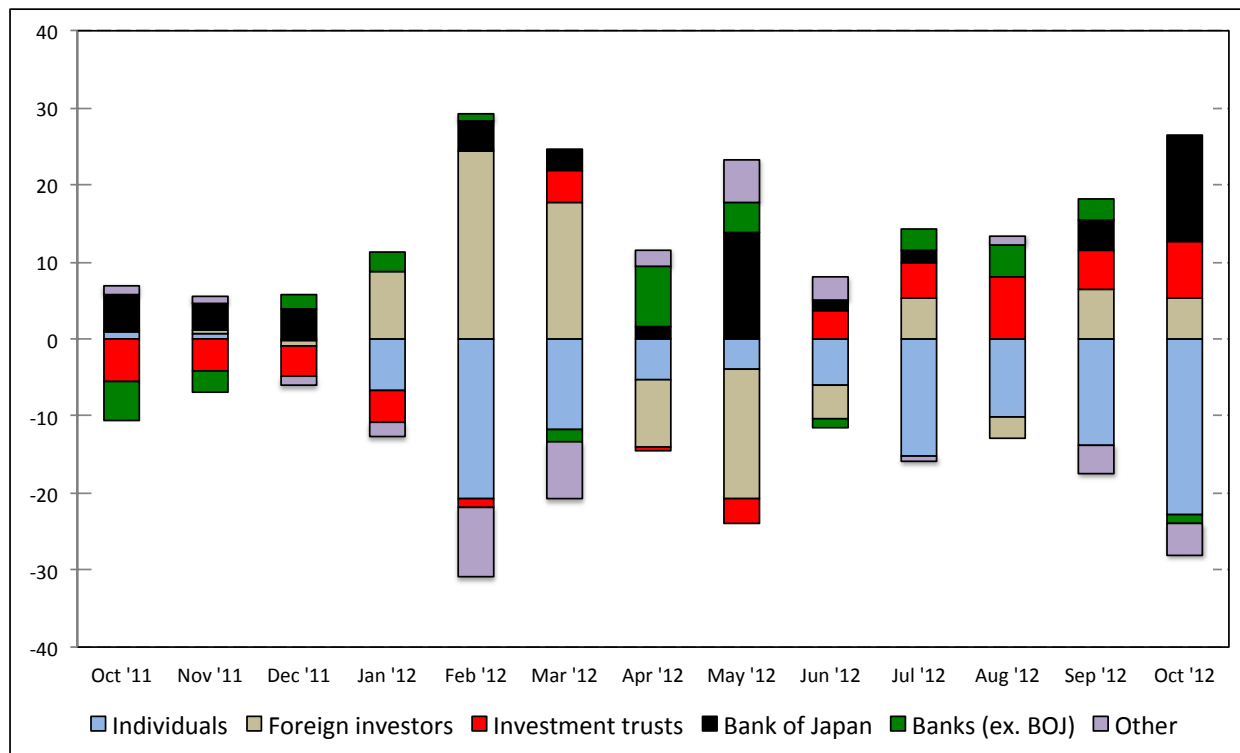
Heiwa Real Estate REIT (HRE; 8966) announced the issuance of 99,550 new units during the month (14.3% dilution). HRE expects to raise JPY 5.0 billion, with proceeds going towards the acquisition of JPY 6.1 billion in new property from sponsor Heiwa Real Estate (8803).

There was a total JPY 248.0 billion in property acquisitions announced during the month, along with JPY 420 million in sales.

The TSEREIT index is up 24.83% year-to-date, versus the Nikkei 225 index's 6.21% gain.

Note: As of 30th November, 2012, of the Fund, Tomoe Corp (1921) is 11.03%, and Tri-Stage Inc (2178) is 9.31%, Kata-

Tokyo Stock Exchange Market Data (Net Buyers/Sellers of J-REITs)



Sector Weightings

Advertising	9.3
Apparel	9.6
Banks	0.6
Beverages	6.7
Building Materials	1.6
Diversified Financial Services	6.5
Engineering & Construction	14.2
Internet	3.6
Investment Companies	3.2
Machinery-Diversified	0.1
Media	0.5
Real Estate	1.9
REITs	9.1
Retail	9.8
Storage/Warehousing	9.7
Total**	86.4
No of Positions	21

Top 10 Holdings

Symbol	Security	% of Total Assets
1921	TOMOE CORP	11.0
9304	SHIBUSAWA WAREHOUSE CO LTD/THE	9.7
2178	TRI-STAGE INC	9.3
8963	INVINCIBLE INVESTMENT CORP (REIT)	9.1
3001	KATAKURA INDUSTRIES CO LTD	9.0
8205	SHAKLEE GLOBAL GROUP INC	8.3
2533	OENON HOLDINGS INC	6.7
gktaihei	GODO KAISHA TAIHEIYO JISHO #1 BOND	5.5
2389	OPT INC	3.6
kidoh26	KIDOH CONSTRUCTION #26 BOND	3.2

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.