

Prospect Japan Fund

| Bloomberg Yen / USD | PJF LN 102.33 | NAV Performance (USD) % | | | | |
|------------------------|------------------|-------------------------|----------|-------|--------|--------|
| | | | November | YTD | 1 Year | 3 Year |
| NAV (USD) | 1.29 | Prospect Japan Fund | -1.53 | 27.72 | 30.30 | 57.32 |
| Price (USD) | 1.06 | Topix Small Index | -1.29 | 20.16 | 25.77 | 43.38 |
| Premium/ Discount % | -18.06% | | | | | |

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.

Fund was down 1.53% during the month, versus the Topix Small Index' 1.29% decline. Year-to-date the Fund has outperformed, gaining 27.72% versus the Topix Small Index' 20.16% increase.

Weakness in the Fund came from Tri-Stage Inc (2178) and Endo Lighting Corp (6932). Tri-Stage, a marketing consultant service provider, saw share prices decline following the announcement of a 19.2% yoy decline in October parent level sales. Endo Lighting, a maker of LED light fixtures, retreated following disappointing H1 results and a large downward revision to full year earnings forecasts due to a slowdown in light fixture replacement demand and inventory write-offs.

Strong positive performance came from Shaklee Global (8205), a seller of nutrition and personal care products. Shares in Shaklee Global reached 18-year highs following the announcement of triple-digit H1 profit growth.

While mostly drowned out by the escalating tensions over the Senkaku islands and China's expanded air defense zone, there was positive news on the international relations front, as Japan saw a delegation of 178 business leaders travel to China in a sign of relieved tensions between Asia's two largest economics. While the governments of the two nations continue to squabble over the islands, economic relations have thawed since the boycotts and violence immediately following Tokyo's purchase of the islands from a private owner in 2012. Chinese visitors to Japan has risen to 156,300 in September, the first increase in a year.

Japanese corporates reported very strong results for the April – September period, with sales (+12.1% yoy) and profit growth (+104.8% yoy) strongly outperforming global peers through the first 9-months of 2013. *

Nationwide CPI (excluding Fresh Food) rose 0.9% yoy during October, in line with consensus expectations, as higher energy costs continue to drive price increases. CPI excluding both fresh food and energy rose 0.3%, the largest gain since 1998, amid signs that high import costs brought on by the weakening yen are buoying more broad-based price increases for goods and services. The focus will continue to be on when wage increases will rise

to match, as consumer's purchasing power is set to be squeezed between higher costs and increased consumption tax in 2014.

Preliminary results of a survey conducted by the Keidanren business lobby suggest that winter bonuses at large Japanese companies could rise by 5.8% this year, the most since 1990. The prominent business lobby surveyed 76 companies. Final results are expected in December. This, along with previously reported move by the Japanese Trade Union Confederation asking for a 1% hike in base salaries in the spring 2014 negotiations, and large bellwether firms such as Hitachi and Toyota Motors signaling a willingness to accept wage increases bode well for the wage increases needed to maintain consumption levels after the tax increase planned for next year and support economic recovery.

Miki Shoji reported that vacancy rates in Tokyo's Central Business District declined 0.34 ppt to 7.56% in September, the lowest reading since August 2009.

REIT

In USD, the TSEREIT index saw a total return of -4.22% month-on-month, underperforming the Nikkei 225's 4.88% month-on-month gain. J-REITs have seen sustained high levels of new supply in 2013, reaching a new record in issuances and property acquisitions during the month. The TSEREIT index has gained 14.20% year-to-date, versus the Nikkei 225's +28.59% performance.

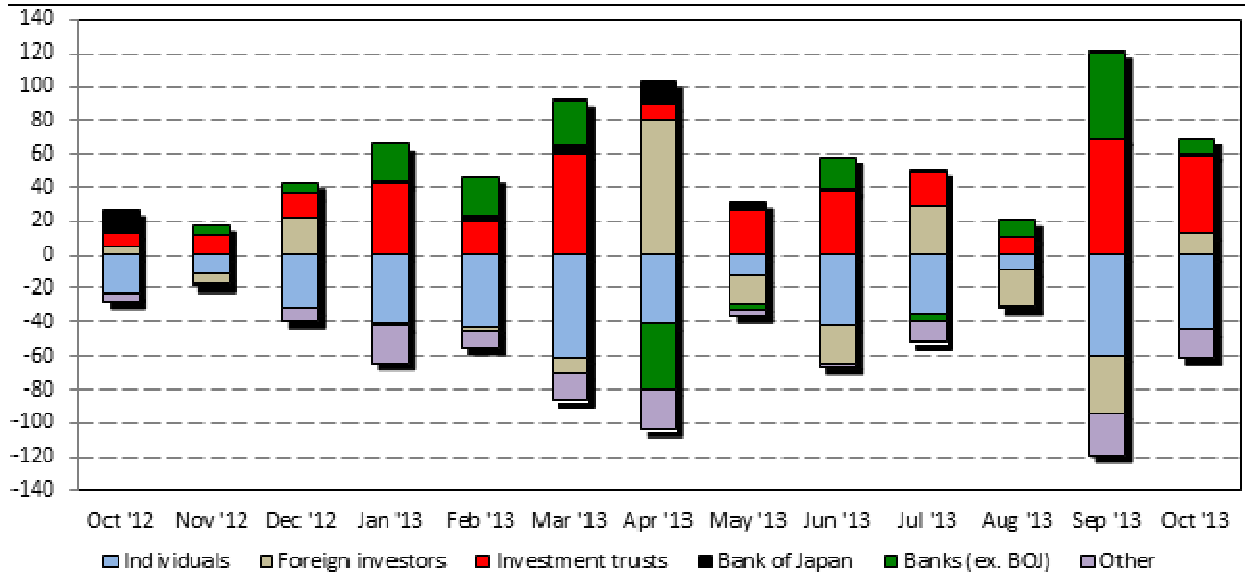
The Bank of Japan purchased JPY 600 million in J-REIT units during the month. The total amount of units purchased to date stands at JPY 140.5 billion, JPY 500 million over the JPY 140 billion originally allotted for through 2013 end). The BoJ has signaled its willingness to continue purchases above target.

There were five additional J-REIT secondary issuances of new shares during the month, raising a total of about JPY 96 billion.

There was a total JPY 158.7 billion in property acquisitions announced during the month, and dispositions of JPY 51.1 billion.

Note: As of 30 November, of the Fund, Tri-Stage Inc (2178) is 6.72%, Endo Lighting Corp (6932) is 2.67%, and Shaklee Global (8205) is 12.74%.

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



Sector Weightings

| | |
|--------------------------------|------|
| Advertising | 7.3 |
| Auto Manufacturers | 12.7 |
| Building Materials | 1.1 |
| Distribution/Wholesale | 0.1 |
| Diversified Financial Services | 9.2 |
| Engineering & Construction | 11.3 |
| Machinery-Diversified | 3.7 |
| Real Estate | 15.1 |
| REITs | 2.8 |
| Retail | 1.0 |
| Storage/Warehousing | 3.6 |
| Textiles | 0.4 |
| Transportation | 1.9 |
| Total** | 70.2 |
| No of Positions | 31 |

Top 10 Holdings

| Symbol | Security | % of Total Assets |
|----------|------------------------------------|-------------------|
| 8205 | SHAKLEE GLOBAL GROUP INC | 12.7 |
| 3001 | KATAKURA INDUSTRIES CO LTD | 7.3 |
| 2178 | TRI-STAGE INC | 6.7 |
| 3227 | MID (REIT) | 6.5 |
| 3528CB01 | GRO-BELS #1 cb 2% 2018 | 4.9 |
| 1921 | TOMOE CORP | 4.3 |
| gktaihei | GODO KAISHA TAIHEIYO JISHO #1 BOND | 4.2 |
| 7404 | SHOWA AIRCRAFT INDUSTRY CO LTD | 3.7 |
| 6932 | ENDO LIGHTING CORP | 2.7 |
| 8818 | KEIHANSHIN BUILDING CO LTD | 2.5 |

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.