THE OPTIMIZE FUND L.P.
INVESTOR NEWSLETTER – Q2 2010

Dear Investor,

Is history repeating itself – across the ocean? We at Optimize doubt the ramifications of a sovereign debt crisis in the European zone will be as dramatic as the financial crisis in North America. With austerity measures in some of the highest debt ridden member countries (Greece, Italy, Spain and Ireland) being enacted in swift fashion we are beginning to see a narrowing of sovereign debt spreads and strengthening of the Euro. The other major overhang is China with its fiscal tightening measures viewed as a precursor to an imploding real estate market and reduced economic output. We find their actions to be prudent and targeted to prevent bubbles from creating a North American style financial crisis. A quasi command economy governed by astute politicians is often very effective at nipping crisis in the bud especially where speculative froth threatens both financial and economic stability.

To summarize our macro view, North America continues to recover, albeit with bumps along the way (no double dip expected), European nations are finally attacking their fiscal imbalances and China is enacting policies to keep the economy and real estate market from overheating. We believe the long-term prognosis is positive on balance.

Turning to the corporate side, initial second quarter results from Alcoa, Intel, ASMC, JP Morgan, Micron & Yum brands are exceeding expectations with their outlooks in-line to positive for the second half of the year. The majority of the growth achieved by many companies is occurring in their emerging markets divisions. Some large cap companies are holding off hiring before sustainable demand going forward is clearly visible. This might prevent the unemployment situation from improving until late 2010 or 2011. On the valuation front developed markets are trading at low double digit levels (10-15x PE) on 2010 earnings despite interest rates being at historic lows and earnings growth expectations in 2011 at low double digit levels. In emerging markets the numbers look even more encouraging, with PE ratios in the 10-12x range and growth rates expected to exceed 15%.

After digesting all the aforementioned statistics, my conclusion is to maintain a constructive stance to the market on a mid to long term horizon. Of course I will continue to employ derivatives where prudent to try and reduce the volatility of the portfolio’s returns and stay diversified both geographically and sectorally to reduce risk.

Sincerely,

Jeff

Optimize Asset Management Incorporated
15 Toronto Street, Suite 602, Toronto Ontario, Canada M5C 2E3, T: 647.436.6131, F: 647.436.1647