THE OPTIMIZE FUND L.P.
INVESTOR NEWSLETTER – Q4 2010 & 2011 OUTLOOK

Despite numerous headwinds including European debt issues, stubbornly high unemployment in developed countries and concerns of inflationary pressures in emerging markets, equities ended 2010 on a positive note. Additional quantitative easing measures in the developed world and sustained hyper growth in most emerging markets has driven profitability amongst multinationals to record levels.

If one looks at the global dynamics from a top down approach one must accept the fact that historically low interest rates in the developed world combined with double digit earnings growth amongst globally diversified corporations are two major factors driving equity markets higher. Analyzing trends in most economic statistics paints a rather bright picture as key barometers such as industrial production, business confidence manufacturing indices etc., continue to trend higher. Improving unemployment stats typically lag an economic recovery as corporations are hesitant to hire until the sustainability of the recovery becomes entrenched. Corporations, especially globally diversified blue chip entities, have increased margins and strengthened balance sheets to provide a buffer against the possibility of a potential double dip recession. With the emerging markets continuing to experience high single digit growth numbers, globally diversified securities have another significant growth avenue. Many of the large blue chip developed world equities are seeing their international operations become a far more significant part of their current profitability and future growth initiations. Corporate quarterly conference calls are now preoccupied with answering questions about their international, and more specifically, emerging market strategies and objectives.

Looking ahead in 2011, economic recovery appears to be gaining steam and in some countries creating inflationary pressures (such as China, India and Brazil). Although somewhat disconcerting, it has been concentrated in the food segment. Many emerging market countries have been proactive in employing measures to prevent bubbles from forming. This must be monitored as their specific countries equity markets have been lagging despite strong economic growth. Corporations continue to see strong year over year and quarter over quarter growth as the recovery becomes more entrenched. I suspect industrials will continue to outperform at this early stage and if loan growth picks up, banks could experience a significant recovery in profitability (especially in the US). The Smartphone and tablet devices have sparked a revival in the technology sector. This has been supplemented by new the generation's increased usage of the internet for such purposes as buying products online, facilitating social interaction (i.e. Facebook), etc. This revolution in methods of communication is igniting a second wave of prosperity in the internet's evolution.

Commodities continue to reach historical highs as demand from emerging markets has tripped the supply-demand balance once again. I suspect, that developing markets will continue to put pressure on these resources for years to come with cyclical ups and downs persisting, but the overall positive secular trend remaining intact.

Lastly, considering the levels of inflation and interest rates in the developed world, stock valuations are still trading at a significant discount to historical norms. However, I suspect rates will trend up to more normalized levels which may create an overhang to multiple expansion in developed world markets. Emerging markets are tightening monetary and fiscal policy to rein in inflation, which may temporarily cap equity valuations. Optimize believes this policy is prudent over the long haul. If successful it will reignite markets in China and Brazil as long as growth rates are not impacted dramatically.

In summary, economic recovery is accelerating. Corporations, especially globally diversified ones, are likely to continue to benefit. We will continue to monitor the level and trend in interest rates and inflation to ensure a fine balance is motivated and individual countries are taking appropriate actions to achieve sustainable growth. Geographic and sectoral allocation will be key to capturing excess returns in markets globally. Based on analysis provided, Optimize will continue to target the above mentioned sectors and geographies with a well diversified and balanced approach.

Sincerely,

Jeff Kreps

Optimize Asset Management Incorporated

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