THE OPTIMIZE FUND L.P.

INVESTOR NEWSLETTER – Q3 2011

The European sovereign debt crisis coupled with worries of a more severe emerging market slowdown, led by China's desire to quell inflation by restraining economic growth, contributed to diminishing consumer confidence and escalating risk – off trades. Reduced trading volume escalated the market downturn as systematic traders and short oriented hedge funds capitalized on the lack of conviction amongst bears.

Cyclically oriented sectors such as industrials and energy sold off hard and with financials burdened by uncertainty over their exposure to European debt (both banking and government) the markets had one of their worst quarters ever. Only defensive sectors held up with the flight to safety trade providing support.

Despite the increased expectation of a global recession and declining commodity prices (which for many companies is extremely beneficial) the majority of cyclically oriented multinationals (such as Caterpillar, Parker Hannifin, Eaton, etc) continue to maintain a neutral to positive outlook with cautious comments on the macro side based on government concerns and the media. Consumer spending in the technology area experienced a slowdown as consumers backed away from some discretionary purchases but retail sales did not fall off a cliff and auto sales maintained a respectable pace.

As of writing of this report the earnings season is in full swing and overall fundamentals remain solid despite the macro economic headwinds. As outlook comments are crucial to stock market trends, I believe the market reaction has been negative and overdone. As the European crisis resolves and emerging markets back off monetary and fiscal tightening, we might return to a less volatile upward trending market. Developing nations will continue to be a driving force for most multinationals, however, without resolution of these two macro headwinds we may be in for an extended period of low single digit global growth.

In summary, the markets downturn has been severe but when we look at fundamentals, including earnings and profitability (absolute and trends) coupled with discounted valuations, historically low interest rates and significant developing market growth potential, we remain cautiously optimistic. Globally, leaders must make strategically sound decisions based on sustainable growth objectives. As well both consumers and governments must address their balance sheets similar to what corporations have done since the financial crisis of 2008. Optimize will continue its investment strategy maintaining a flexible approach to changing market conditions.

Sincerely,

Jeff

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