The Cambridge Strategy

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Extended Markets Alpha Programme Monthly Report

August 2009

PERFORMANCE ANALYSIS (All Accounts)

Extended Markets Alpha Programme (April 2004 to August 2009)

Return Summary

Latest Month	0.70%
Year to Date	5.23%
Last 12 Months	9.36%
Annualised Return	14.04%
Sharpe Ratio	1.49
Return to Date	103.71%
% Trading Days Up	62%
% Trading Days Down	38%
Maximum Daily Drawdown	(1.92%)
Maximum Monthly Drawdown	(2.53%)
CS Character	3.17
CS Ratio	4.73
Annualised Daily Volatility	6.68%
Annualised Monthly Volatility	7.20%

Return Statistics for August 2009

Maximum Daily Drawdown	(0.26%)
Days to Recovery	1
% Trading Days Up	52%
% Trading Days Down	48%

We are pleased to report the Programme was up 0.70% (Gross of Fees) for the month of August and has returned a positive 5.23% for the year to date (Gross of Fees). Going forward, the portfolio may benefit if the Australian Dollar outperforms against the NZ Dollar and the US Dollar but we remain cautious as we near the end of summer market trading in the northern hemisphere.

Since March the markets have been cautiously bullish on the global economic outlook and this view has been reflected in the continuous irregular price action of the foreign exchange markets. The month of August was no exception, and if anything, this nervous price action was more extreme than it has been in previous months. The major currencies were range bound against the USD Dollar with increases in the Euro at +0.54 % and the Australian Dollar at +0.90 %. The Japanese Yen depreciated -1.56 % as did the British Pound by -2.55 %, while the USD Index (DXY) closed down -0.22 %. Global stock markets continued higher as a result of optimistic global economic sentiment.

Currency positioning biases in the markets fluctuated daily, due to high correlations with the volatile Global Equity markets. Our short and medium term portfolios performed well despite the market ‘risk sentiment’ daily fluctuations and alpha contribution came predominately from our short term models. Our mean reverting and change in trend models outperformed our trending models against the US Dollar over the month and profit and loss attributions were consistent across all currency pairs. A reduction in core positioning in the majors against the Dollar occurred in the first week of August and we closed the month in positive territory against the US Dollar.

Looking ahead we are still positioned for risk and our long term outlook for the global equity markets remains unchanged to a neutral bias. Our disciplined implementation of stop losses and take profits for every position in the Programme continues to provide downside protection and facilitate the capture of upside potential. During August, our tail risk indicators remained relatively constant; consequently, the Risk Adjusted Trade Size (‘RATS’) for each position remained largely unchanged. In spite of the continued swings in daily returns, drawdowns were again effectively contained in August; the largest daily drawdown was -0.26% on the 11th of August.

Cambridge Strategy Extended Markets Alpha Programme Monthly Returns

Year	YTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2004	39.25%				0.71%	4.38%	0.06%	1.41%	1.78%	7.64%	8.67%	7.86%	1.66%
2005	13.94%	1.19%	2.64%	0.84%	0.01%	2.24%	0.56%	2.54%	0.55%	1.11%	1.00%	-0.01%	0.51%
2006	5.94%	0.56%	1.44%	0.53%	1.01%	-0.48%	0.00%	0.69%	-0.03%	-0.03%	0.84%	0.27%	1.00%
2007	9.86%	-0.07%	-0.14%	0.67%	1.15%	0.16%	0.47%	0.26%	0.03%	6.10%	-0.33%	1.63%	-0.30%
2008	4.84%	-0.30%	-1.28%	0.52%	1.43%	-0.47%	-0.47%	1.26%	0.21%	-0.52%	1.40%	2.49%	0.53%
2009	5.23%	6.09%	0.71%	-2.53%	0.50%	1.01%	-1.55%	0.40%	0.70%				