

## Extended Markets Alpha Programme Monthly Report

August 2007

### PERFORMANCE ANALYSIS (All Accounts)

#### Extended Markets Alpha Programme (April 2004 to August 2007)

##### Return Summary

Latest Month	0.26%
Year to Date	2.67%
Last 12 Months	4.75%
Sharpe Ratio	1.88
Return to Date	69.77%
% Trading Days Up	54%
% Trading Days Down	46%
Maximum Daily Drawdown	(1.03%)
Maximum Monthly Drawdown	(0.46%)

##### Return Statistics for August 2007

Latest Month	0.26%
Maximum Daily Drawdown	(0.624%)
Days to Recovery	13
% Trading Days Up	61%
% Trading Days Down	39%
Average Up Day	0.018%
Average Down Day	(0.029%)

The credit crunch that began in July remained the dominant theme throughout August. Numerous headlines warning of non-bank financial lenders unable to fund loans and hedge funds suspending redemptions after suffering substantial losses motivated investors to seek historical safe havens as global risk aversion remained high. The net result saw the Yen once again the top performing currency and high yielding growth currencies such as the New Zealand and Australian Dollar bore the brunt of the substantial carry unwind in the early stages of the month.

The flight to quality initially saw the US Dollar benefit, however as global market concerns deepened and the credit crunch worsened the Fed cut its discount rate by 50 bp and the market began pricing in further Fed interest rate cuts. Hawkish rhetoric from the FOMC Meeting Minutes on 28<sup>th</sup> August left the market uncertain about near term interest rate movements. We see the Fed on hold in September and look to data for signs of slowing in the US economy and inflationary pressures as the financial market turbulence takes its toll.

The Reserve Bank of Australia hiked rates by 25bp and revised both its inflation and growth forecasts up. With this upside revision and the rapid decline in the Australian Dollar, the Reserve Bank was forced to support the AUD. The common theme amongst central bankers at present seems to be a wait and see attitude as they focus on returning a sense of calm to the financial markets.

As volatility and risk aversion begin to decline, we anticipate the market will closely monitor data releases to provide direction. The strategy returned 0.26% in difficult market conditions.

### Cambridge Strategy Extended Markets Alpha Programme Monthly Returns

Year	YTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2004	37.83%				0.69%	4.24%	0.06%	1.36%	1.72%	7.39%	8.39%	7.61%	1.61%
2005	13.46%	1.15%	2.55%	0.81%	0.01%	2.17%	0.54%	2.46%	0.53%	1.07%	0.97%	-0.01%	0.49%
2006	5.73%	0.54%	1.39%	0.51%	0.98%	-0.46%	0.00%	0.67%	-0.03%	-0.03%	0.81%	0.26%	0.97%
2007	2.67%	-0.07%	-0.14%	0.65%	1.11%	0.15%	0.45%	0.25%	0.26%				

### Eurohedge Monthly Returns

Year	YTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2004	1.90%				-1.30%	-0.62%	-0.29%	0.28%	-0.26%	-0.05%	0.38%	2.39%	1.04%
2005	2.73%	-0.42%	0.09%	-0.23%	0.12%	0.64%	0.44%	0.33%	-0.88%	1.12%	0.36%	1.12%	0.03%
2006	1.84%	-0.09%	0.68%	-0.08%	0.14%	-0.05%	-0.17%	-0.10%	-0.09%	0.42%	0.48%	1.28%	0.26%
2007	2.05%	0.75%	-0.59%	0.40%	0.53%	-0.10%	0.97%	0.08%					

Performance figures calculated include only margin interest received and are net of fees.

The returns are representative of an average of the managed accounts traded.

#### Risk Warning:

This brief statement does not disclose all of the risks and other significant aspects of trading in currencies and options. The Cambridge Strategy (Asset Management) Limited manages for and advises to professional investors only. Investors must bear in mind that this type of investment can be volatile, values can decrease as well as increase and that past performance is no guarantee of future performance.