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Asian Markets Alpha Programme Monthly Report

December 2009

PERFORMANCE ANALYSIS (All Accounts)

Asian Markets Alpha Programme (February 2006 to December 2009)

Return Summary

Latest Month	(1.25%)
Year to Date	3.16%
Last 12 Months	3.16%
Annualised Return	13.80%
Sharpe Ratio	1.48
Return to Date	65.89%
% Trading Days Up	52%
% Trading Days Down	48%
Max Daily Drawdown	(1.95%)
Max Monthly Drawdown	(2.57%)
CS Character	2.90
CS Ratio	4.29
Annualised Daily Volatility	10.77%
Annualised Monthly Volatility	7.05%

Return Statistics for December 2009

Largest Daily Drawdown	(0.90%)
Days to Recovery	na
% Trading Days Up	52%
% Trading Days Down	48%
Average Up Day	0.23%
Average Down Day	(0.37%)

The Asian Markets Alpha Programme had a disappointing month during December and was down -1.25% on a gross of fees basis. Nevertheless the Programme finished the year with a positive 3.16% return (gross of fees) for the full twelve months. Volatility rose initially in December sparked by the near default of Dubai World and the ongoing debt crisis in Greece. Conditions were made even tougher when liquidity dropped as the holidays approached and investors reduced exposures on currency books. The currency markets were directionless with many false breakouts from trading ranges.

The Programme was generally positioned long Asian currencies going into the start of the month as we were looking for continued outperformance, but the dampening of risk appetite from the end of November into the first half of December saw these long positions suffer. Stops were hit towards the middle of the month, as liquidity dried up and the sell off deepened, with the long Malaysian Ringgit position a standout poor performer. The latter stages of the month saw a turnaround in Asian flows as investors began to position themselves for 2010, this again saw long positions triggered in Asian currencies, specifically the Korean and Taiwanese Dollar.

One story evolving from the region is stronger export numbers with Korea and Malaysia reporting their first increase in exports since the Lehman collapse. Asian currencies have been strong over the past 9 months but risks to their currencies include a sustained rise in risk aversion and further capital controls to stem the ongoing currency strength. But the region is unlikely to introduce aggressive capital controls as the risk of eroding investor confidence in their economies is high.

December was a choppy month driven by lack of liquidity and year end position squaring on currency books; however the latter stages saw investors begin to put positions on for the year ahead and volatility declined. Our Global Volatility indicator stabilised in December. A positive global environment in the early stages of 2010 could see this proprietary indicator decline to the point where the programme may re-enter the Fundamental strategy. Our Risk Adjusted Trade Size (RATS) remained stable throughout December.

Cambridge Strategy Asian Markets Alpha Monthly Returns

Year	YTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	**11.57%**		1.24%	1.01%	3.13%	-2.33%	0.42%	2.05%	0.37%	-0.61%	2.51%	0.06%	3.30%
2007	**33.58%**	0.40%	-0.53%	1.63%	3.04%	1.61%	1.55%	0.33%	4.48%	9.81%	3.61%	4.14%	-0.33%
2008	**7.90%**	1.58%	-1.18%	0.82%	0.83%	-2.57%	1.08%	1.27%	0.30%	2.55%	2.44%	0.41%	0.21%
2009	**3.16%**	2.02%	0.94%	-1.29%	0.25%	-1.47%	0.33%	0.33%	-0.44%	1.18%	0.68%	1.91%	-1.25%

Performance *figures calculated are Gross of fees and exclude interest income*

The returns are representative of an average of the managed accounts traded. Risk Free rate used is US$ LIBOR (1 month)

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 (Investment 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.