

Extended Markets Alpha Programme Monthly Report

December 2009

PERFORMANCE ANALYSIS (All Accounts)

Extended Markets Alpha Programme (April 2004 to December 2009)

Return Summary

Latest Month	0.11%
Year to Date	(0.90%)
Last 12 Months	(0.90%)
Annualised Return	12.00%
Sharpe Ratio	1.20
Return to Date	91.86%
% Trading Days Up	60%
% Trading Days Down	40%
Maximum Daily Drawdown	(1.92%)
Maximum Monthly Drawdown	(7.35%)
CS Character	3.21
CS Ratio	3.85
Annualised Daily Volatility	6.65%
Annualised Monthly Volatility	7.39%

Return Statistics for December 2009

Maximum Daily Drawdown	(0.97%)
Days to Recovery	n/a
% Trading Days Up	70%
% Trading Days Down	30%
Average Up Day	0.21%
Average Down Day	(0.46%)

The Extended Markets Alpha Programme was basically flat in December rising 0.11% on a gross of fees basis. This was another difficult month for the Programme, closing its most disappointing quarter on record. The Programme ended 2009 with a negative 0.90% (gross of fees) suffering its first down year since inception. The G-10 currencies were again extraordinarily volatile over the month but this portion of the model did generate some positive performance by month end. Positioning was generally mixed against the dollar after the Dubai debt warning in late November caused significant deterioration in risk sentiment and saw renewed demand for the US Dollar as a safe haven. High beta currencies remained on the back foot as the fiscal problems in Greece sparked fears of a sovereign downgrade and investors locked in profits and squared positions ahead of year end. The combined effects of this saw a 5.5% rally in the US Dollar index.

The Programme managed to capture this move as long dollar positions were entered against the Swiss Franc, Japanese Yen, Euro and Australian Dollar. A long US Dollar position was also held against the Norwegian Krone, with the model adding to the position during the mid December US Dollar rally. The Yen was particularly weak over the month of December due to concerns raised over Japan's fiscal position and weak export data. This weakness was exacerbated with renewed fears of intervention in currency markets by the Japanese government to prevent further appreciation.

The Emerging Markets component of the Programme contributed negatively to performance for the month, primarily from the Asian and Latam regions. Asia in particular was positioned long but stop losses were hit towards the middle of the month and positions such as long Malaysian Ringgit and Mexican Peso suffered when sharp selloffs occurred.

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 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	-0.90%	6.09%	0.71%	-2.53%	0.50%	1.01%	-1.55%	0.40%	0.70%	-0.66%	-3.66%	-1.70%	0.11%

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 (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.