May 2010

The Cambridge Strategy

Asian Absolute Return Equities

Firm Background:

The Cambridge Strategy is a specialist asset management company based in London with offices in Hong Kong and Australia. Leveraging on our experienced teams, the firm offers Asian absolute return equities, global emerging markets equities, currency alpha and active currency overlay programmes. The Cambridge Strategy is owned by its three senior principals: Edward Baker (former CIO of Emerging Markets at AllianceBernstein); Peter Henricks (former CEO of AllianceBernstein in Asia) and Russell Thompson (former Head of Trading for Asia at AIG Trading) . Collectively, they have over 70 years experience in the investment management industry and bring a diverse and distinctive set of skills to the Cambridge Strategy. In 2009 and 2010, the company won the award for Best FX Manager from Hedge Fund Review and in 2010 it has been shortlisted for Currency Manager of the Year by Professional Pensions Magazine and European Pensions Magazine.

Key Professionals:

	Title	Previous Experience	Experience (yrs)
Asian Equities			
Edward Baker	Head of Equities	CIO(EM), AllianceBernstein / BARRA Inc	30
Samuel Kwong	PM Asia	PM Asian Equities, UBS O'Connor / Hermes	15
Peter Henricks	CEO/ Risk Manager	CEO, Alliance Capital, Asia	27
Issam Strub, PhD	Research Scientist	PhD candidate, UC Berkeley	1
Currency			
Russell Thompson	CIO	Head of Trading, AIG Trading Inc, Asia	21
Robert Colehan	Senior PM	Portfolio Manager, UBS O'Connor	25
Alexandra Edstein	Senior PM	Senior Proprietary Trader, HSBC	25
Business			
Derek Doupe	Director of Marketing	Director, Alt Investments, Frank Russell	17
Tony Henry	Head of Operations	European COO, Balyasny Asset Management	29
Chris Udy	Director of Research	Head of Research, Mount Row Capital	11

Background to the Programme:

Ed Baker *(Head of Equities):* Prior to joining The Cambridge Strategy, Ed was a member of the emerging markets team at AllianceBernstein from 1996. In early 1998 he was appointed CIO of Emerging Markets at AllianceBernstein and had responsibility for developing and supervising a team of 3 portfolio managers, 21 (at its peak) fundamental analysts and a quantitative analyst. When he took over assets under management were approximately US$100million and reached US$10 billion by the time of his departure in April 2007. The structure of the Global Emerging Markets Equities Programme at The Cambridge Strategy builds on the successful approach that Ed Baker evolved whilst at AllianceBernstein.

Samuel Kwong *(Portfolio Manager Asian Equities):* Samuel joined the Cambridge Strategy in 2009 and is responsible for the firm's Asian Equities portfolios. Before joining the firm, Samuel was with UBS O'Connor in Hong Kong, managing Asian equity portfolios including Japan Long/Short Sector Neutral equities. Prior to this (between 2000 and 2007), he was a Director and head of Asian Long/Short Market Neutral Equities with Hermes Investment Management in London. Between 1996 and 2000, he was a Director with Capel-Cure Sharp in London and was responsible for their institutional equity investment in both Asia and Japan. It was here that his Asian unit trust consistently ranked amongst the top three within the Asian funds universe. Samuel started his career with the UBS Private Banking Fund Management division in London and has an MSc in Investment Analysis and a BSc (Hons) in Information Technology.

Differentiating Features:

The Programme 's approach has the following characteristics:

- Macroeconomic, cyclical and structural factors identified that are expected to drive earnings and valuations
- Stock selection differentiates sectors and stocks that offer the best risk/return profile given these key drivers
- Identification of catalysts to unlock value and proactive hedging to eliminate non-core risk
- Approach to corporate governance focuses on issues that are linked to valuations and that drive stock performance
- Incorporate The Cambridge Strategy's time tested active currency overlay process

Investment Approach:

The Asian Absolute Return Equities Programme combines both top down and bottom up components. We believe that at any point in time there is an identifiable set of factors that drive earnings, valuations and stock prices over the short to medium term. These factors can be macroeconomic, cyclical or structural and can be global, regional or country specific. Identifying these key drivers and market expectations for them is the first step in our investment process.

Our stock selection then identifies those stocks that offer attractive risk/reward characteristics relative to these key drivers. This will sometimes lead us to pursue contrarian opportunities but in other cases stocks with high expected earnings potential will be attractive. The identification of catalysts necessary to unlock value is an integral part of our investment research process. Our investment approach has both 'growth' and 'value' elements and leads us to a 'style' neutral portfolio. We believe that corporate governance is a significant element of any stock's risk/reward profile and our research addresses the subjective issues that link corporate governance to valuations.

The portfolio is constructed to emphasise our investment ideas; and hedges are actively utilised to manage and eliminate correlated risks within sectors, countries and portfolios. The hedging approach focuses the risk allocations and allows investment performance to clearly reflect our intentions.

The key investment ideas in the portfolio include: stand-alone stock ideas (longs/shorts), directional trades (countries/sectors), intra-sector pairs (relative value/hedging to take out non-core risk), cross sector pairs (thematic pairs /hedging to take out non-core risk) and an active currency overlay. Currency exposures are a related source of portfolio risk and reward and are explicitly managed to add alpha (although our bias is to be long Asian currencies, there are times when the signals from our proprietary currency models motivate us to hedge our exposures).

Net exposures (long/short beta) and country allocations are actively managed reflecting three elements: top down assessments, bottom-up opportunities and risk controls. Country risk remains the largest element of portfolio risk in Asian markets and effective risk control requires careful attention to exposures. The primary risk management methodologies utilised are exposure limits and stop-loss policies. Liquidity is carefully monitored and holdings are avoided that cannot be liquidated over a reasonable time frame.

Programme Description:

Description:	Absolute return – Asian Markets Equities
Investment Style:	Active Equities– Fundamental/ Corporate governance/ Active currency
Target Returns:	15% per annum (rolling 3 year periods)

Investment Universe:

Selection Universe:	Broad market (subject to liquidity limits)
Region:	Developed and Developing Asian Markets
Instruments:	Equity instruments / Derivatives (inc. FX) / ETF / Indices or basket exposure

Investment Limits:

Country Limit:	45%
Sector Limit:	45%
Single Stock Limit:	10%
Single Stock Stop Loss:	rolling 20% loss
Maximum Gross Exposure:	200%
Maximum Net Exposure:	+100%/-50%

Structural Details:

Vehicles:	Pooled Fund / Managed Account
Liquidity:	Monthly
Minimum Investment:	Pooled Fund US$ 250,000 / Managed Account US$10,000,000 (or equivalent)
Investment Manager:	The Cambridge Strategy (Asset Management) Limited
Management Fees:	1.5% per annum
Performance Fees:	20% performance fee above benchmark (with high-water mark)

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