# FactSheet

## The Cambridge Strategy Extended Markets Alpha Programme

**January 2010**

### Firm Background:

The Cambridge Strategy (Asset Management) Limited is a boutique asset management company offering both active currency and emerging markets programmes. The firm offers three active currency programmes trading across both developed and developing markets. In addition, it also offers an active currency overlay programme. The Cambridge Strategy is owned by its three senior principals: Edward Baker (former CIO of Emerging Markets at AllianceBernstein); Russell Thompson (former Head Trader of Asian Markets at AIG Trading) and Peter Henricks (former CEO of Alliance Capital, Asia). 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.

### Key professionals:

| | Title | Previous Experience | Experience (yrs) |
|---|---|---|---|
| *Edward Baker* | Executive Chairman | CIO(EM), AllianceBernstein / BARRA Inc | 30 |
| *Peter Henricks* | CEO | CEO, Alliance Capital, Asia | 27 |
| *Russell Thompson* | CIO | Head of Trading, AIG Trading Inc, Asia | 21 |
| *Derek Doupe* | Director of Marketing | Director, Alternative Investments, Frank Russell | 17 |
| *Robert Colehan* | Senior PM | Portfolio Manager, UBS O'Connor | 25 |
| *Alexandra Edstein* | Senior PM | Senior Proprietary Trader, HSBC | 25 |
| *Andrew Bresler* | PM | AIS Europe Limited | 5 |
| *Jesse Marre* | Assistant PM | Oxford University | 2 |
| *Michael Kwong* | Assistant PM | Citigroup Global Markets | 3 |
| *Chris Udy* | Director of Research | Mount Row Capital | 11 |
| *Tony Henry* | Head of Operations | European COO, Balyasny Asset Management | 29 |

### Background to the Programme:

The Extended Markets Alpha Programme commenced trading in April 2004 as a managed account for an institutional client to provide a blended exposure to the strategies offered by The Cambridge Strategy. Performance since inception refers to an equal weighted average of the managed accounts invested via the Extended Markets Alpha Programme.

### Investment Approach:

The Extended Markets Alpha Programme offers investors a diversified exposure to the global currency markets. Diversification is achieved through an allocation to the firm's trading Programmes which invest in geographically distinct markets: G-10 currency pairs through the Developed Markets Alpha Programme and Developing markets through the Asian Markets Alpha Programme and Developing Markets Programme. Historically, these trading Programmes have demonstrated low levels of correlation.

***Developed Markets Alpha Programme:*** The Programme employs a Systematic Technical Strategy across the G-10 currency pairs and is designed to add value across diverse market environments. It employs a set of proprietary trading algorithms operating over eight timeframes ranging from four-hourly timeframes to weekly. The algorithms combine trend continuation and trend reversal signals. A daily VAR limit is enforced for the strategy and additionally, each trade is given a risk allocation based on our assessment of the appropriate Risk Adjusted Trade Size (RATS).

***Developing Markets Alpha Programme:*** The Programme employs a systematic approach, designed to perform across market environments, combining two trading systems: a Systematic Technical Strategy and a Systematic Fundamental Strategy. The Systematic Technical Strategy is implemented in the same manner as for the Developed Markets Alpha Programme. The addition of the Systematic Fundamental Strategy is designed to anticipate currency markets moves that are the result of investment flows, which significantly impact Developing Markets' currencies. Assets are allocated to the Systematic Fundamental Strategy based on a proprietary measure of volatility in the global currency markets (in highly volatile markets the allocation is reduced and when volatility is low the allocation is increased). A daily VAR limit is enforced at both the aggregate programme and within each sub-strategy component.

The Cambridge Strategy believes that long run success is achieved through successful mitigation of downside returns (with risk controlled at the portfolio, strategy and individual trade levels). While daily VAR limit is enforced at the aggregate programme, sub-programme level and sub-strategy levels, a further layer of risk mitigation is incorporated within each separate strategy. For the Systematic Technical Strategy each trade is given a risk allocation based on our assessment of the appropriate Risk Adjusted Trade Size (RATS). The RATS is set weekly using a proprietary methodology and profit and loss levels are set for each position prior to trade execution to further limit downside risk. Within the Systematic Fundamental Strategy, the aggregate net US dollar exposure is maintained at zero.

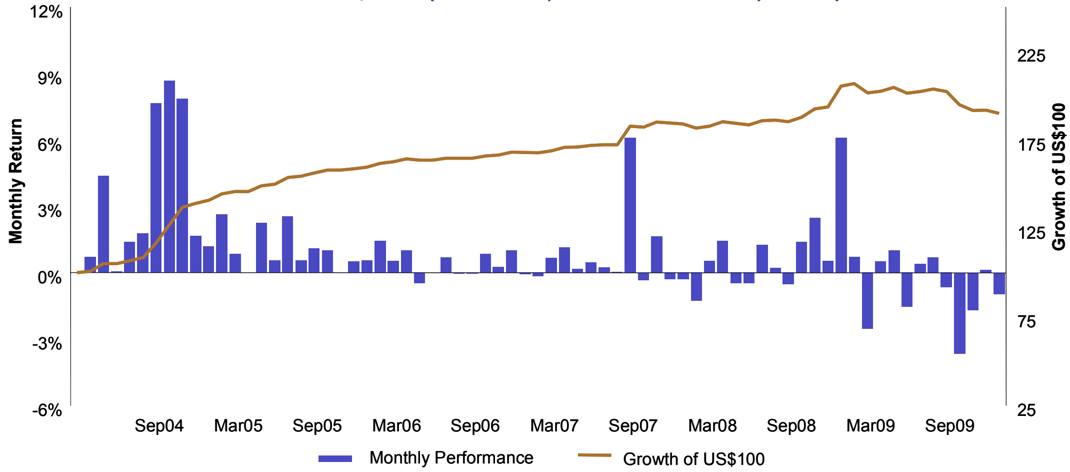
### Programme Description:

| | |
|---|---|
| Description: ................ | Absolute Return – Currency – Global |
| Target Returns: ........... | 14% per annum |
| Target Daily Volatility: ... | 10% per annum (based on daily observations) |
| Investment Style: ........ | Active Currency Management – Systematic (Technical and Fundamental) |

### Structural Details:

| | |
|---|---|
| Vehicle: ...................... | Managed Account |
| Liquidity: .................... | Determined by contract |
| Minimum Investment:.... | US$ 10,000,000 (or equivalent) |
| Investment Manager: .... | The Cambridge Strategy (Asset Management) Limited |
| Management fees:......... | 2.0% per annum |
| Performance fees: ......... | 20% performance fee with high-water mark |

## Monthly Performance & Growth of US$100 *(Period: April 2004 – January 2010)*

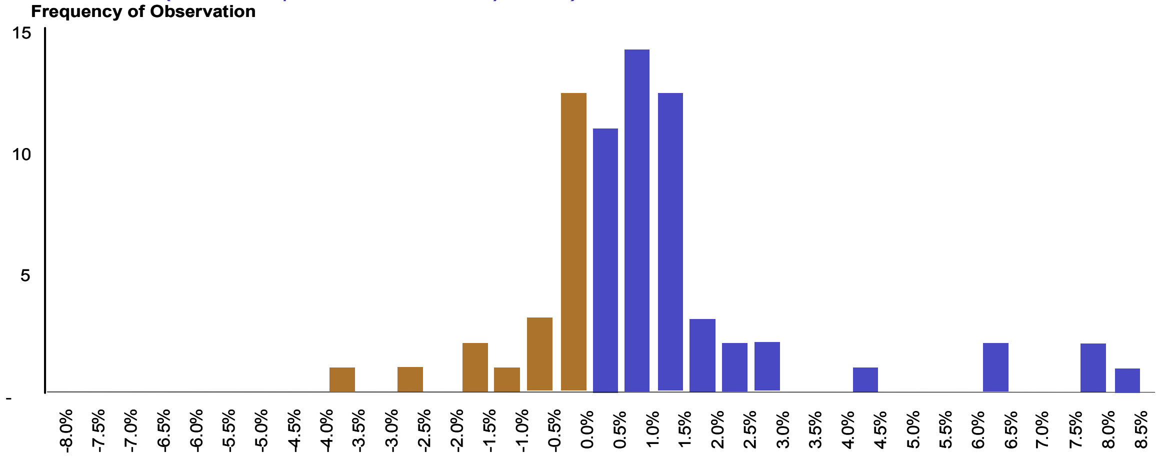



## Summary Statistics *(Period: April 2004 – January 2010)*

Annualised Return (since inception) ..................11.6%
3 Year Rolling Return (per annum)...................... 4.2%
1 Year Rolling Return ..................................... -7.5%
6 Months Rolling Return .................................. -6.1%
3 Month Rolling Return.................................... -2.6%
Year to Date ................................................ -1.0%
Months Positive (%) ........................................ 72%

Annualised Risk (Standard Deviation) ................. 7.4%
3 Year Annualised Risk (Standard Deviation) ........ 6.4%
Sharpe Ratio .................................................... 1.2
CS Character * .................................................. 3.2
CS Ratio * ....................................................... 3.7
Skewness ........................................................ 1.9
Kurtosis .......................................................... 4.7

## Distribution of Returns *(Period: April 2004 – January 2010)*




## Monthly Performance Data (%)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2010** | -0.97 | | | | | | | | | | | | **-1.0** |
| **2009** | 6.09 | 0.71 | -2.53 | 0.50 | 1.01 | -1.55 | 0.40 | 0.70 | -0.66 | -3.66 | -1.70 | 0.11 | **-0.9** |
| **2008** | -0.30 | -1.28 | 0.52 | 1.43 | -0.47 | -0.47 | 1.26 | 0.21 | -0.52 | 1.40 | 2.49 | 0.53 | **4.8** |
| **2007** | -0.07 | -0.14 | 0.67 | 1.15 | 0.16 | 0.47 | 0.26 | 0.03 | 6.10 | -0.33 | 1.63 | -0.30 | **9.9** |
| **2006** | 0.56 | 1.44 | 0.53 | 1.01 | -0.48 | 0.00 | 0.69 | -0.03 | -0.03 | 0.84 | 0.27 | 1.00 | **5.9** |
| **2005** | 1.19 | 2.64 | 0.84 | 0.01 | 2.24 | 0.56 | 2.54 | 0.55 | 1.11 | 1.00 | -0.01 | 0.51 | **13.9** |
| **2004** | | | | 0.71 | 4.38 | 0.06 | 1.41 | 1.78 | 7.64 | 8.67 | 7.86 | 1.66 | **39.3** |

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*Notes on performance:* The performance data quoted relates to the equal weighted average of the managed accounts invested via the Extended Markets Alpha Programme (US$ performance, Gross of all fees, excluding cash income). Source: The Cambridge Strategy (Asset Management) Limited. The risk free rate and minimum acceptable rate of return is US$ LIBOR (1 month). Returns and statistics are calculated on the basis of monthly returns. Inception: April 2004.