

# Performance Report

## The Cambridge Strategy: Extended Markets Alpha Programme

January 2010

### Performance Data (%) (Gross of fees)

	Current Month	QTD	YTD	1 Year	3 Years (pa)	5 Years (pa)	Since Inception (pa)
Extended Markets Alpha Programme	-0.97	-0.97	-0.97	-7.49	4.20	7.44	11.63

### Performance Commentary:

The Extended Markets Alpha Programme started the year on a negative tone in January and was down -0.97% for the month on a gross of fees basis. This was another difficult month for the Programme as G-10 currencies continued experiencing the elevated volatility they exhibited through out the latter stages of 2009. The main theme for January was European sovereign risk fears, mainly due to the precarious fiscal positions of Greece, Portugal and Spain and the corresponding hard line adopted by the European Central Bank. Market risk aversion was further elevated by disappointing US employment data and President Obama's tough talk on banking regulation. China initiated tighter monetary policies by increasing bank reserve requirements in an effort to control the growth of credit and reduce inflationary pressures, which added further to negative market sentiment.

The Programme started January with risk positive positions established; including long positions in several G10 currencies against the US Dollar. However, the buoyant start failed to continue and risk currencies fell for the duration of the month. G-10 currencies were again volatile with the Euro falling over 3% against the US Dollar from its January highs to below 1.40 for the first time since July 2009. The Euro was the worst performer of all G10 currencies in the month of January.

The Emerging Markets component of the Programme contributed positively, with the EMEA and Asian regions particularly performing well. Notably, long positions in the Korean Won, Polish Zloty, Egyptian Pound and Russian Rouble all contributed significantly to emerging market currency gains in the early stages of the month. As sentiment turned during the month a short position in the Singapore Dollar was a significant positive contributor to the Asian component. Market chatter regarding an imminent International Monetary Fund loan agreement for Turkey saw the Lira strengthen markedly early on, and long Turkish Lira positions were triggered. With no further developments on this loan and the change in general market sentiment, the Lira became a significant underperformer, however, we remain some distance from our stop losses on these positions. The Latin American region outperformed the other regions in 2009 and we expect it to perform steadily this year. During January the Mexican Peso was the most significant positive contributor.

Our Risk Adjusted Trade Size (RATS) remained stable during January.

### Summary Statistics

(Period: Inception – January 2010)

Annualised Return .....	11.6%	Annualised Risk (Standard Deviation) .....	7.4%
3 Year Annualised Return .....	4.2%	3 Year Annualised Risk (Standard Deviation) .....	6.4%
Sharpe Ratio .....	1.2	Months Positive (%).....	72%
CS Character .....	3.2	CS Ratio.....	3.7
Positive Trading Days.....	60%	Negative Trading Days .....	40%
Annualised Standard Deviation (Daily Obs) .....	6.7%	Skewness.....	1.9
Maximum Daily Loss .....	-1.9%	Kurtosis .....	4.7

(January 2010)

Maximum Daily Loss .....	-0.7%	Days to Recovery .....	na
Positive Trading Days.....	40%	Negative Trading Days .....	60%
Average Positive Day Return .....	0.5%	Average Negative Day Return.....	-0.4%

### 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

*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.

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