Performance Report

The Cambridge Strategy: Global Emerging 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)
Global Emerging Markets Alpha Programme	*2.26*	2.26	2.26	25.81	-	-	18.30

Performance Commentary:

The Global Emerging Markets Alpha Programme started the month convincingly and finished with a very positive 2.26% return, gross of fees, for January. The initial stages of the New Year saw Emerging Market currencies appreciate across the board as the positive risk environment from late December 2009 continued. The three regions within the programme performed strongly and reached a high of 8.76% during the middle of the month. The reduction of liquidity by the Chinese government, coupled with extreme moves in Greek Credit Default Swap prices and the Democratic Party defeat in Massachusetts contributed to a rapid increase in flows out of Emerging markets into perceived safe haven markets which resulted in weakening emerging market currencies in the last half of the month.

Currencies within the EMEA and Asian regions of the Programme performed especially well during January. In particular, 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 for these positions.

Latin America was this month's underperformer and the Brazilian Real was the worst negative contributor, depreciating by 9%. Central bank US Dollar accumulation in Chile saw our long Chilean Peso positions significantly underwater. LATAM outperformed its emerging market peers last year and we are not expecting the large moves we witnessed in 2009. However, fundamentally strong economies should continue to attract Foreign Direct Investment flows and keep these currencies on a strengthening trend. Central banks could look to prevent excessive strengthening as Brazil did last year, but at current levels intervention is not of particular concern. Mexico is heavily linked to the US economy and with slow growth picking up in the US as it potentially emerges from recession, the Mexican Peso should benefit. It did not strengthen with the rest of Latin America last year, and is the cheapest currency in the region on a fundamental basis.

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

Summary Statistics

(Period: Inception – January 2010)

Annualised Return 18.3%
Sharpe Ratio 3.1
CS Character 2.5
Positive Trading Days...................................... 56%
Annualised Standard Deviation (Daily Obs) 9.3%
Maximum Daily Loss .... -2.1%

Annualised Risk (Standard Deviation) 5.4%
Months Positive (%)... 83%
CS Ratio... 7.8
Negative Trading Days 44%
Skewness 0.8
Kurtosis 0.1

(January 2010)

Maximum Daily Loss .... -2.1%
Positive Trading Days...................................... 60%
Average Positive Day Return 0.9%

Days to Recovery .... na
Negative Trading Days 40%
Average Negative Day Return .... -0.8%

Monthly Performance Data (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	2.26												**2.3**
2009	4.22	1.44	4.04	3.82	1.54	1.46	1.11	-0.11	-0.06	2.74	4.91	0.18	**28.2**
2008		1.19	0.51	0.91	-1.14	0.32	1.64	-0.29	0.25	2.11	0.90	0.18	**6.7**

Notes on performance: The performance data quoted relates to the equal weighted average of the managed accounts with exposure to the Emerging Markets Alpha Programme. From April 2009, this composite carve-out includes managed accounts solely invested in the Global Emerging Markets Alpha Programme (US$ performance, excluding cash income). Risk Free rate used is US$ LIBOR (1 month). 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: February 2008.