

*Asian Markets Alpha Programme  
Monthly Report*

July 2007

**PERFORMANCE ANALYSIS** (All Accounts)

The Asian Markets Alpha Programme  
(February 2006 to July 2007)

Return Summary

Latest Month	0.35%
Year to Date	7.33%
Last 12 Months	12.80%
Sharpe Ratio	2.19*
Return to Date	18.52%
% Trading Days Up	67%
% Trading Days Down	33%
Maximum Daily Drawdown	(1.95%)
Largest Monthly Drawdown	(1.84%)

\*Risk Free rate used is 2.5% consistent with Barclays Index

Return Statistics for July 2007

Latest Month	0.35%
Largest Daily Drawdown	(1.72%)
Days to Recovery	5
% Trading Days Up	50%
% Trading Days Down	50%
Average Up Day	0.74%
Average Down Day	0.66%

A very volatile month started well with the programme getting up over 2% by the middle of the month as many Asian currencies strengthened. However a sudden spike in risk aversion sent the emerging currency markets spinning with the Malaysian Ringgit moving from 3.4 to test 3.48 and the Indonesian Rupiah moving from the 9000 level to test 9300. Although this environment proved difficult we still finished the month up 0.35% and comfortably outperformed the benchmarks. This was in spite of giving back 1.5% in the last week, and having a one day drawdown of 1.72%, the largest since March and close to the all-time drawdown of 1.95%, but still comfortably within our 3% daily limit.

The models credible performance was partly down to some mid-month reversal signals in the Philippine Peso and Japanese Yen, and the programme went net long Usd/Philippine and short Usd/Yen, which aided performance. In addition the increase in our global volatility indicators from the 23<sup>rd</sup> of the month prompted us to reduce risk. The programme is now only 2:1 leveraged intra-Asia, directionally only 1.4 leveraged in favour of long Asia, but is now net long yen, after being short for several months.

Malaysia and Indonesia remain the favoured long currencies, and the biggest short position remains the Philippines, a position that was added to during the month, closely followed by Taiwan. Obviously the latest moves in Asia, are largely a reflection of credit concerns in the world economy, and have prompted a re-evaluation of risk.

Our volatility indicators prompted us to reduce risk, but we will look to re-establish positions, as and when these indicators return to more normal levels. Indications are that this may already be happening, and some of our systematic indicators are showing early signs of short term tops in both Usd/Malaysia and Usd/Korea, and our global volatility indicator has declined in the last few days.

During the month India and China hiked interest rates, and the CPI in Indonesia came in stronger than expected, almost certainly spelling the end of rate cuts there. Malaysia, despite speculation to the contrary did not loosen restrictions on trading offshore Ringgit, and next month will see continued tension between China and the US over the China Bill, with Treasury Secretary Paulson stating that immediate action on the Renminbi was required. Right at the end of the month the Senate Banking Committee approved a second bill, potentially making it harder for the Treasury to avoid citing China as a currency manipulator. Watch this space.

Cambridge Strategy Asian Markets Alpha Monthly Returns

Year	YTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	10.43%		1.12%	0.93%	2.68%	-1.84%	0.45%	1.69%	0.39%	-0.43%	2.15%	0.12%	2.8%
2007	7.33%	0.41%	-0.37%	1.41%	2.58%	1.41%	1.35%	0.35%					

**Performance** figures calculated include only margin interest received and are net of fees.

The returns are representative of an average of the managed accounts traded.

**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 (Investment 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.*

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