Performance Report

The Cambridge Strategy: Asian Markets Alpha Programme

March 2010

Performance Data (%) (Gross of fees)

	Current Month	QTD	YTD	1 Year	3 Years (pa)	5 Years (pa)	Since Inception (pa)
Asian Markets Alpha Programme	*2.73*	4.04	4.04	5.58	15.09	-	13.99

Performance Commentary:

The Asian Markets Alpha Programme continued its positive run, with a strong gain of 2.73% (gross of fees) during March, making the year to date performance 4.04% (gross of fees). Throughout the month there was widespread appetite for 'risk seeking' which was primarily evidenced by rallies in the global equity markets and a sharp drop in volatility, particularly in the US and emerging markets. This upbeat attitude had a positive impact on the foreign exchange markets in the commodity currencies, namely those of Australia, New Zealand and Canada. These currencies were also helped along by either interest rate rises or hawkish comments by their relevant central banks. The markets moreover responded positively to improved economic data from the US, as well as news the US Federal Reserve Bank was maintaining its extended period of low rates. The Bank of Japan contributed by maintaining the Yen's status as the major funding currency by extending its monetary easing measures.

There was, however, a continued dark cloud over Europe with Euro area sovereign risk worries a continuing dominant theme. Greece took steps to reduce its deficit but with a tepid response in the Eurozone, particularly from Germany and France, there is still a lack of uncertainty over what form financial aid may take. The lack of any detailed plan for a market bailout and conflicting opinions from within the region meant the demand for risk oriented currencies dropped towards the latter stages of the month; nevertheless the upward pressure on Asian currencies persists. In March, Malaysia became the first Asian central bank to raise rates followed closely by India and this is being seen by the markets as part of the process of normalisation after the crisis.

The Asian Markets Programme had positive returns from all the Asian currencies except for the Singapore Dollar and the Chinese Renminbi pairs. The Renminbi lost ground due to the lack of any immediate currency adjustment after the National People's Congress annual meeting, whilst the Singapore Dollar was a funding currency against the long Asian currencies. Despite the market disappointment regarding the Renminbi we feel the strong recovery in China is paving the way for the currency to appreciate, possibly through a widening of its band relative to the US Dollar. However, the magnitude of the appreciation is likely to be small (less than 5 percent) and we feel this will occur sometime within the second quarter of 2010. With this in mind the Chinese Yuan non-deliverable forward curve still provides good value.

The Programme has been favouring long Asian positions and looking ahead will maintain being positioned as such but with less exposure than March and February. The Programme continues to be long the Indonesian Rupiah, Korean Won and the Taiwanese Dollar, with a reduced exposure to the Malaysian Ringgit and the Indian Rupee. This reduced exposure is due to the fact that these currencies have reached their targets (and in the case of the Ringgit exceeded them). The Indonesian Rupiah's correlation to risk appears to be breaking down and is offering surprising stability. The Korean Won and Taiwanese Dollar continue to be heavily managed by their central banks and as such we still feel they offer potential upside.

We are looking for continued outperformance of the developing world over the developed world. The proprietary Global Volatility indicator, our measure for risk aversion, declined to a level during February that enabled an allocation into the Systematic Fundamental Strategy, with this allocation continuing through March. And our Risk Adjusted Trade Size (RATS) measure increased slightly during the early stages of March.

Summary Statistics

(Period: Inception – March 2010)

Annualised Return 14.0%
3 Year Annualised Return 15.1%
Sharpe Ratio 1.6
CS Character 2.9
Positive Trading Days.. 53%
Annualised Standard Deviation (Daily Obs) 10.6%
Maximum Daily Loss .... -2.0%

Annualised Risk (Standard Deviation) 6.9%
3 Year Annualised Risk (Standard Deviation) 7.4%
Months Positive (%).. 80%
CS Ratio.. 4.5
Negative Trading Days 47%
Skewness 1.6
Kurtosis 6.4

(March 2010)

Maximum Daily Loss .... -0.5%
Positive Trading Days....................................... 61%
Average Positive Day Return 0.3%

Days to Recovery 9
Negative Trading Days 39%
Average Negative Day Return............................-0.2%

Monthly Performance Data (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	0.97	0.30	2.73										**4.0**
2009	2.02	0.94	-1.29	0.25	-1.47	0.33	0.33	-0.44	1.18	0.68	1.91	-1.25	**3.2**
2008	1.58	-1.18	0.82	0.83	-2.57	1.08	1.27	0.30	2.55	2.44	0.41	0.21	**7.9**
2007	0.40	-0.53	1.63	3.04	1.61	1.55	0.33	4.48	9.81	3.61	4.14	-0.33	**33.6**
2006		1.24	1.01	3.13	-2.33	0.42	2.05	0.37	-0.61	2.51	0.06	3.30	**11.6**

Notes on performance: The performance data quoted relates to the equal weighted average of the managed accounts invested via the Asian 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: February 2006. During January, there was significant cashflows in the various managed accounts for this Programme that has resulted in a higher degree of performance dispersion between accounts that has been historically evident.