Performance Report

The Cambridge Strategy: Extended 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)
Extended Markets Alpha Programme	*-0.14*	0.61	0.61	-4.25	4.56	5.77	11.58

Performance Commentary:

The Extended Markets Alpha Programme had another mixed month during March with a small negative return of 0.14% (gross of fees), although the year to date return is a slightly positive 0.61% return (gross of fees). There was widespread appetite for the "risk seeking" currencies during March. This was particularly evidenced by various global equity markets having strong rallies and by a sharp drop in volatility, particularly in the emerging markets and in the US. This upbeat attitude had a positive impact in the Foreign Exchange markets on 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 central banks. This buoyant mood was driven by a number of factors; better global economic data; the US Federal Reserve Bank maintaining its 'extended period' for low rates language; The Bank of Japan helped to maintain the yen's status as the main funding currency for carry trades by extending its monetary easing measures.

There was however, a continued dark cloud over Europe with Euro area sovereign risk worries continuing to be a dominant theme. Greece took steps to reduce its deficit but with a tepid response from the Eurozone, particularly from Germany and France, there is still a lack of clarity over what form financial aid may take. Fitch's downgrade of Portugal's ratings knocked market sentiment further and increased worries that problems might spread to the periphery of the EU. This led to the Euro being one of the main underperformers in G10 currencies during the month. Fears of a hung parliament at the upcoming election in the UK on May 6th and concerns as to how it's budget deficit will be reduced, led to sterling joining the Euro as one of the months underperformers.

Within the developing markets segment of the Programme positive returns were broadly earned. Asia remained a favoured region for investors seeking to take advantage of the process of policy normalisation, with most of the regional currencies appreciating against the US Dollar. The model remains predominantly long Asian currencies but with slightly less exposure. The biggest positions were held in the Malaysian Ringgit and the Korean Won. The best performing emerging market currency in March was the South African Rand, appreciating 4.9% against the US Dollar and the long positions held in the Rand hit their take profits in the latter stages of the month. A long position in the Israeli Shekel also produced good returns. Within Eastern Europe, a long Russian Rouble position generated solid profits as it continued to track oil prices higher, and the darling of the region, the Polish Zloty, once again gave strong performance. However, the decline in momentum in Zloty appreciation and the increased verbal rhetoric on the strength of the Zloty motivated us to exit the position with a very healthy profit. The long Latin American currency positions the Programme held, particularly in the Mexican Peso, also contributed solidly to performance, with almost all currencies in the region ending higher against the US Dollar. Although, the Chilean Peso was very volatile following the earthquake in late February, it too ended the month higher. We remain long several of the Latin American currencies as we head into the month of April.

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 11.6%
3 Year Annualised Return 4.6%
Sharpe Ratio 1.2
CS Character 3.2
Positive Trading Days 60%
Annualised Standard Deviation (Daily Obs) 6.7%
Maximum Daily Loss .... -1.9%

Annualised Risk (Standard Deviation) 7.3%
3 Year Annualised Risk (Standard Deviation) 6.4%
Months Positive (%) 72%
CS Ratio 3.8
Negative Trading Days 40%
Skewness 1.9
Kurtosis 4.8

(March 2010)

Maximum Daily Loss .... -1.2%
Positive Trading Days 65%
Average Positive Day Return 0.3%

Days to Recovery .... n/a
Negative Trading Days 35%
Average Negative Day Return .... -0.5%

Monthly Performance Data (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	-0.97	1.74	-0.14										**0.6**
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.