

Performance Report

The Cambridge Strategy: Extended Markets Alpha Programme

February 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	1.74	0.75	0.75	-6.55	4.85	7.21	11.78

Performance Commentary:

The Extended Markets Alpha Programme had a strong month in February with a positive return of 1.74% (gross of fees) making the year to date return 0.75% (gross of fees). The global markets continued their volatility during February, with significant currency movements driven by economic data and Sovereign debt issues. After several weeks of US Dollar strengthening, the end of the month saw the US Dollar make a correction against the Euro and the Yen. This correction was a result of disappointing US economic data releases, namely consumer confidence and housing statistics. European sovereign debt concerns were still dominating global currency market worries and were instrumental in the Euro depreciation, whilst Asian currencies marked time as initial New Year optimism abated.

The developing markets component of the Extended Programme saw sovereign debt issues within several peripheral Euro countries become more prevalent. The European Commission's endorsement of the Greek budget plan and the European Union's support of the plan (with strict criteria attached) did not lend strength to the Euro as the lack of concrete details disappointed the market. With widespread opposition to any meaningful Greek bailout and the potential for a further downgrade of Greece' credit ratings the Eurodollar fell from around 1.40 to 1.35. The British pound fell sharply in the last two days of the month as the markets focussed on the poor state of the UK's finances and uncertainty about an upcoming election in which a "hung" parliament seems likely. The biggest positive contribution to the portfolio in the developing markets was from a short Euro/US Dollar position and the biggest negative contributors were from long British Pound/US Dollar and long Australian Dollar/US Dollar positions, which sold off at the end of the month.

In the developing markets component Latin America was the outperformer. The Brazilian Real was the top performing Emerging Market currency traded in February appreciating by 2.25%. Long positions were held in the Chilean Peso, Mexican Peso and Peruvian Sol, all of which appreciated. Some key levels at their higher ends were broken which then saw the Programme add to its positions in these currencies. Performance within the Eastern European region was largely dominated by the continued appreciation of the Polish Zloty. A long Zloty position against other currencies in the region, namely Czech Koruna and Hungarian Forint performed exceptionally well in February. A long Israeli Shekel position was the worst performer in the EMEA region, with weaker than expected growth and lower inflation figures seeing appreciation pressures on the currency reverse. The decline in the EURO against the US Dollar and nervous markets saw a long Egyptian Pound position give up some of its January gains. The Asian component contributed modestly to the performance in February with moderate gains in the Singapore Dollar, Japanese Yen, and Indonesian Rupee.

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

Summary Statistics

(Period: Inception – February 2010)

Annualised Return	11.8%	Annualised Risk (Standard Deviation)	7.3%
3 Year Annualised Return	4.8%	3 Year Annualised Risk (Standard Deviation)	6.4%
Sharpe Ratio	1.2	Months Positive (%).....	73%
CS Character	3.2	CS Ratio.....	3.8
Positive Trading Days.....	60%	Negative Trading Days	40%
Annualised Standard Deviation (Daily Obs)	6.7%	Skewness.....	1.8
Maximum Daily Loss	-1.9%	Kurtosis	4.7

(February 2010)

Maximum Daily Loss	-0.7%	Days to Recovery	4
Positive Trading Days.....	60%	Negative Trading Days	40%
Average Positive Day Return	0.3%	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	1.74											0.8
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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