The Cambridge Strategy

26 Mount Row, Mayfair, London. W1K 3SQ + 44 (0)20 7290 3444

Currency Programme Monthly Report

May 2007

PERFORMANCE ANALYSIS (All Accounts)

The Currency Programme (April 2004 to May 2007)

Return Summary

Latest Month	(0.50%)
Year to Date	(0.19%)
Last 12 Months	0.43%
Sharpe Ratio	1.74
Return to Date (June 2004)	61.45%
% Days Up	50%
% Days Down	50%
Average Up Day	0.118%
Average Down Day	(0.057%)

Return Statistics for April 2007

Latest Month	(0.50%)
Largest Daily Draw	(0.153%)
Days to Recovery	15*
% Days Up	45%
% Days Down	55%
Average Up Day	0.03%
Average Down Day	(0.07%)

Any fears of a significant correction in global markets in May proved unfounded, as positive US data and rising equity and commodity prices combined to fuel investor risk appetite. Once again the higher yielding currencies performed most strongly, with AUD, NZD and CAD printing new inter-year highs against both the USD and the JPY.

Inflation is likely to be the key theme throughout June, with most observers anticipating a rate hike at the next ECB meeting, accompanied by further hawkish rhetoric from the governing council. Whilst rates are most likely to be left on hold elsewhere, we would expect policymakers to signal their collective intent to be proactive in tackling inflation as and when it appears. GBP is expected to be a significant beneficiary of this stance.

Although the JPY remains historically undervalued, we would be more cautious about prolonged weakness. JGB yields are slowly creeping higher, and gains are continuing to be made in the equity and property sectors in Japan. A slowdown in outflows from Japanese retail investors attracted by better performing domestic assets could be the catalyst for an unwinding of the JPY carry trade in the months ahead. For the moment, however, staying with the existing trends seems the better value trade in terms of risk/reward.

The performance of the strategy was a little disappointing in May. It generated a number of reversal of trend signals in the earlier part of the month which ultimately proved false. We are confident that this price action is the exception rather than the rule, and more normal market conditions will be conducive to better returns from our model.

Cambridge Strategy Monthly Returns

Year	YTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2004	37.83%				0.69%	4.24%	0.06%	1.36%	1.72%	7.39%	8.39%	7.61%	1.61%
2005	13.46%	1.15%	2.55%	0.81%	0.01%	2.17%	0.54%	2.46%	0.53%	1.07%	0.97%	-0.01%	0.49%
2006	3.43%	0.54%	1.61%	0.33%	0.21%	0.08%	-0.12%	0.22%	-0.25%	0.16%	0.19%	0.32%	0.10%
2007	-0.19%	-0.31%	-0.03%	0.27%	0.38%	-0.50%							

Eurohedge Monthly Returns

Year	YTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2004	1.90%				-1.30%	-0.62%	-0.29%	0.28%	-0.26%	-0.05%	0.38%	2.39%	1.04%
2005	2.73%	-0.42%	0.09%	-0.23%	0.12%	0.64%	0.44%	0.33%	-0.88%	1.12%	0.36%	1.12%	0.03%
2006	1.84%	-0.09%	0.68%	-0.08%	0.14%	-0.05%	-0.17%	-0.10%	-0.09%	0.42%	0.48%	1.28%	0.26%
2007	0.16%	0.75%	-0.59%	0.40%	0.53%								

Performance *figures calculated include 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. Arcanum 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.