The Cambridge Strategy

Performance Report: Asian Markets Alpha Programme

Performance Data (%) (Gross of fees):

	Current Month	QTD	YTD	1 Year	3 Years (pa)	5 Years (pa)	Since Inception (pa)
Asian Markets Alpha Programme	0.02	0.02	4.06	5.34	13.95	-	13.71

Performance Commentary:

The Asian Markets Alpha Programme had a small positive gain of 0.02% (gross of fees) over April making the year to date performance 4.06% (gross of fees). The major focus for the markets during April was the continuing crisis in Greece and the potential contagion to other Eurozone countries. Greek bond yield spreads over benchmark German Bunds widened to record levels and Credit Default Swap spreads spiked sharply. Furthermore, rating agencies decreased the sovereign debt rating of Greece to junk status, causing additional market concern. The contagion risk was amplified by sovereign downgrades to Portugal and Spain and asset prices fell sharply within those countries. As market fears of a Greek default escalated, the European Union was forced to form an aid plan. Towards the end of April, as Greece's asset prices plunged further the International Monetary Fund/European Union formulated this support plan in more detail. This provided some market relief but uncertainty remained over the approval process for this package, notably from Germany.

The data flow from Asia continued to surprise towards the upside during April, and this saw Asian currencies appreciate between 1.5% to 2%. There was continuing speculation in a Chinese Renminbi revaluation, with the possible window narrowing as key political events approach, namely the US-China Strategic Economic dialogue to be held in Beijing at the end of May. The US also took the decision to delay, potentially for three months, any labelling of China as a foreign exchange manipulator; the US authorities are presumably concerned about hindering the Chinese buying US Government debt and Chinese support for its Iran strategy. China is now facing mounting international pressure to exhibit more flexibility on their currency. Concerns from the US and Europe are primarily due to cheaper Chinese imports having a significant impact on a struggling global economy through a weak labour market. These events lead to widespread belief that China will need to move on liquidity and credit conditions in the near future if they do not want to appear to be bowing to US demands.

The Singapore central bank along with Indian and Malaysian central banks were looking to return their policies to pre crisis conditions, a process they began in April. Singapore was the first to move by widening its currency bands. The Asian Markets Programme was mostly long the Asian currencies and gains were achieved in Korean Won, Chinese Renminbi and Malaysian Ringgit positions. Earlier in the month we were short the Singapore Dollar with the Programme again using it as a funding currency, although this short position was reduced prior to the Monetary Authority of Singapore's announcement, making the drawdown on the currency minimal. Our drawdowns in the Programme came from the Japanese Yen crosses that were caught up in the whip-sawing related to the headlines revolving around Greece's debt problems.

Looking ahead the Programme continues to be long Asian currencies but at a reduced sizing with the main exposures in the Korean Won, Taiwanese Dollar and Chinese Renminbi. However we are ever mindful of the continuing sovereign debt risk and the possibility of contagion on Asia. Our proprietary Global Volatility indicator, our measure for risk aversion, saw a marked increase in the latter stages of April; we however remain in our Fundamental portfolio which produced positive returns in April. Our Risk Adjusted Trade Size (RATS) saw a decline in the later stages of the month identifying increasing risk of a left hand tail event.

Summary Statistics:

(*Period: Inception – April 2010*)

Annualised Return 13.7%
3 Year Annualised Return 14.0%
Sharpe Ratio 1.5
CS Character.. 2.9
Positive Trading Days 53%
Annualised Standard Deviation (Daily Obs) 10.5%
Maximum Daily Loss ....-2.0%

Annualised Risk (Standard Deviation).................................... 6.8%
3 Year Annualised Risk (Standard Deviation)......................... 7.4%
Months Positive (%) 80%
CS Ratio..4.5
Negative Trading Days 47%
Skewness 1.7
Kurtosis..6.6

(April 2010)

Maximum Daily Loss .... -0.5%
Positive Trading Days..55%
Average Positive Day Return................................0.2%

Days to Recovery 1
Negative Trading Days 45%
Average Negative Day Return ....-0.3%

Monthly Performance Data(%):

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	0.97	0.30	2.73	0.02									**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.