

The Cambridge Strategy

Performance Report: Extended Markets Alpha Programme

Performance Data (%) (Gross of fees):

	Current Month	QTD	YTD	1 Year	3 Years (pa)	5 Years (pa)	Since Inception (pa)
Extended Markets Alpha Programme	-0.28	-0.28	0.33	-5.00	4.07	5.71	11.37

Performance Commentary:

The Extended Markets Alpha Programme had a small down month with a return of -0.28 % (gross of fees) during April, making the year to date a small positive 0.33% (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.

Within the developing markets, risk oriented trades initially did well, with equity markets hitting 18-month highs, but risk aversion returned when further issues with the Greek debt situation became apparent. Global economic data releases were relatively positive, particularly from the US, and this reinforced the view that a global economic recovery is gaining some momentum. However, the Federal Reserve Bank showed no signs of moving nearer to policy tightening and maintained its 'extended period' language. In the UK, the election was a major focus with the televised leader debates and related polls supporting fears of a hung parliament. Elsewhere in the developed markets, the Bank of Canada dropped its commitment to hold policy rates steady until July, saying the economic recovery was more rapid than expected, and in Australia the Reserve Bank raised rates by 25 basis points to 4.25%, and hinted more tightening was likely. The Euro was one of the main underperformers in the foreign exchange market.

Within the developing markets component of the programme the Latin American region was the best performer for April benefitting from a long position in the Chilean Peso. A short position in the Columbian Peso was rewarded after the announced intention by their Central bank to buy US Dollars and therefore weaken the Peso. Long positions in the Mexican Peso and Brazilian Real also saw positive returns. The Programme maintains a short position in the Columbian Peso and remains generally long the other Latin currencies, believing in the continuation of significant external portfolio flows as a driver towards further currency appreciation. The Asian component generally performed well. Asian currencies maintained their appreciating bias, which saw profits earned from long positions in Korean Won, Indonesian Rupiah and Indian Rupee. The underperformer within the Asian component was the short Singapore dollar position. In the Europe, Middle East and Africa region it was a fairly lacklustre month which suffered from the potential contagion effect from Greece. Stops were triggered in long Polish Zloty and Hungarian Forint positions.

Looking ahead the Programme continues to remain generally long emerging market currencies predominantly within the Asian and Latin American regions. 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	11.4%	Annualised Risk (Standard Deviation).....	7.3%
3 Year Annualised Return	4.1%	3 Year Annualised Risk (Standard Deviation).....	6.4%
Sharpe Ratio	1.2	Months Positive (%)	71%
CS Character.....	3.2	CS Ratio.....	3.7
Positive Trading Days	60%	Negative Trading Days	40%
Annualised Standard Deviation (Daily Obs)	6.6%	Skewness	1.9
Maximum Daily Loss	-1.9%	Kurtosis.....	4.9
(April 2010)		Days to Recovery.....	n/a
Maximum Daily Loss	-0.4%	Negative Trading Days	55%
Positive Trading Days	45%	Average Negative Day Return	-0.2%
Average Positive 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	-0.14	-0.28									0.3
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 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.

Disclaimer: This material has been approved by The Cambridge Strategy (Asset Management) Limited (Address: Berger House, 36-38 Berkeley Square, London, W1J 5AE, United Kingdom). Past performance should not be taken as a guide to future performance. You are advised that The Cambridge Strategy (Asset Management) Limited is unable to provide advice as to tax consequences of a particular investment or investment strategy and you are advised to seek professional advice in this respect. This document is not a solicitation or instruction to invest. It is provided for information purposes only.