

The Cambridge Strategy

Performance Report: Global Emerging Markets Alpha Programme

Performance Data (%) (Gross of fees):

	Current Month	QTD	YTD	1 Year	3 Years (pa)	5 Years (pa)	Since Inception (pa)
Global Emerging Markets Alpha	0.79	0.79	14.13	28.15	-	-	21.92

Performance Commentary:

The Global Emerging Markets Alpha Programme had a positive return of 0.79% (gross of fees) for the month of April, bringing the year to date performance to a notable 14.13% (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 Latin American component of the programme was the outstanding performer for April; with a long position in the Chilean Peso the best performing currency. Large inflows from Sovereign Wealth Funds supported this currency. A short position in the Columbian Peso was rewarded after the announcement by their Central bank that they were buying US Dollars to 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 but remains generally long the other Latin currencies, believing in the continuation of significant external portfolio flows as a driver for further currency appreciation.

The Asian component generally performed well. 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 with our Japanese Yen crosses that were caught up in the whip-sawing related to the headlines revolving around Greece's debt problems.

In the Europe, Middle East and Africa region it was a fairly lacklustre month which suffered from the potential contagion affect from Greece's problems. Currencies were generally range bound for most of the month but contagion spread into the broader region in the latter stages of the month. This saw the regional currencies weaken dramatically in the final few trading sessions. Stops were triggered in the 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.....	21.9%	Annualised Risk (Standard Deviation)	6.9%
Sharpe Ratio	3.0	Months Positive (%)	85%
CS Character	2.7	CS Ratio	8.3
Positive Trading Days	57%	Negative Trading Days	43%
Annualised Standard Deviation (Daily Obs)	9.5%	Skewness	1.6
Maximum Daily Loss	-2.1%	Kurtosis	3.3

(April 2010)

Maximum Daily Loss	-0.5%	Days to Recovery	2
Positive Trading Days	55%	Negative Trading Days	45%
Average Positive Day Return	0.2%	Average Negative Day Return	-0.2%

Monthly Performance Data (%):

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	2.26	2.34	8.20	0.79									14.1
2009	4.22	1.44	4.04	3.82	1.54	1.46	1.11	-0.11	-0.06	2.74	4.91	0.18	28.2
2008		1.19	0.51	0.91	-1.14	0.32	1.64	-0.29	0.25	2.11	0.90	0.18	6.7

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.

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