The Cambridge Strategy

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Extended Markets Alpha Programme Monthly Report

February 2009

PERFORMANCE ANALYSIS (All Accounts)

Extended Markets Alpha Programme (April 2004 to February 2009)

Return Summary

Latest Month	0.71%
Year to Date	6.84%
Last 12 Months	13.81%
Annualised Return	15.93%
Sharpe Ratio	1.70
Return to Date	106.84%
% Trading Days Up	63%
% Trading Days Down	37%
Maximum Daily Drawdown	(1.92%)
Maximum Monthly Drawdown	(1.87%)
CS Character	3.09
CS Ratio	5.25
Annualised Daily Volatility	6.76%
Annualised Monthly Volatility	7.24%

Return Statistics for February 2009

Maximum Daily Drawdown	(1.45%)
Days to Recovery	na
% Trading Days Up	60%
% Trading Days Down	40%

The turmoil in financial markets continued in February amid concerns over a deepening global recession; with several nations announcing, or increasing, fiscal stimulus packages. The US Dollar's negative correlation with risk appetite continued. However, the Japanese Yen's role as a safe haven currency was undermined due to some very weak economic data coming out of Japan. The Euro also weakened as it was plagued by worries about growing default rates within the Monetary Union and the looming banking crisis in Eastern Europe. The British Pound was hurt as the market is anticipating a potential credit downgrade and the UK will probably be the first European country to start quantitative easing.

Fortunately, the Programme was well positioned for the deeply negative sentiment and returned +0.71% for the month (gross of fees), its fifth consecutive positive month. The Programme was long the US Dollar and benefited substantially from its strength over the month and the associated risk adverse environment. The key positive contributors to returns in February were long the US Dollar versus short Emerging Europe (Russia, Hungary and Poland) and short Emerging Asia (Taiwan, Singapore and Korea).

In the medium term, we expect more bad news and the environment of extreme risk aversion to continue. Furthermore, we expect many markets to remain illiquid (relative to normal market conditions) and very volatile. In recognition of this, we continue to be vigilant in monitoring (and adjusting) our maximum exposure levels at the individual currency level.

In February, we again effectively contained drawdowns, with the largest daily drawdown being -1.45% on the 20th February. Our diligent and disciplined implementation of stop losses for every position in the Programme provides strict downside protection. However, the persistently high levels of volatility have triggered an overall reduction in the level of risk the Programme will take on with any trade. We have also experienced a rise in our tail risk which has further motivated a more conservative posture in the Programme. We believe that the success we have achieved is just as importantly driven by our risk management disciplines as by our alpha generation.

Cambridge Strategy Extended Markets Alpha Programme Monthly Returns

Year	YTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2004	**39.25%**				0.71%	4.38%	0.06%	1.41%	1.78%	7.64%	8.67%	7.86%	1.66%
2005	**13.94%**	1.19%	2.64%	0.84%	0.01%	2.24%	0.56%	2.54%	0.55%	1.11%	1.00%	-0.01%	0.51%
2006	**5.94%**	0.56%	1.44%	0.53%	1.01%	-0.48%	0.00%	0.69%	-0.03%	-0.03%	0.84%	0.27%	1.00%
2007	**9.86%**	-0.07%	-0.14%	0.67%	1.15%	0.16%	0.47%	0.26%	0.03%	6.10%	-0.33%	1.63%	-0.30%
2008	**4.84%**	-0.30%	-1.28%	0.52%	1.43%	-0.47%	-0.47%	1.26%	0.21%	-0.52%	1.40%	2.49%	0.53%
2009	**6.84%**	6.09%	0.71%										

Performance *figures calculated are gross of fees. The returns are representative of an average of the managed accounts traded. Risk Free rate used is US$ LIBOR (1 month).*