The Cambridge Strategy

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Asian Markets Alpha Programme Monthly Report May 2009

PERFORMANCE ANALYSIS (All Accounts)

Asian Markets Alpha Programme (February 2006 to May 2009)

Return Summary

Latest Month	(1.47%)
Year to Date	0.41%
Last 12 Months	8.97%
Annualised Return	15.46%
Sharpe Ratio	1.55
Return to Date	61.47%
% Trading Days Up	53%
% Trading Days Down	47%
Max Daily Drawdown	(1.95%)
Max Monthly Drawdown	(2.57%)
CS Character	2.88
CS Ratio	4.47
Annualised Daily Volatility	11.32%
Annualised Monthly Volatility	7.44%

Return Statistics for May 2009

Largest Daily Drawdown	(0.79%)
Days to Recovery	n/a
% Trading Days Up	48%
% Trading Days Down	52%
Average Up Day	0.17%
Average Down Day	(0.28%)

The rally in risky assets continued in May with both equities and commodities experiencing further price increases. Consistent with this theme, the US Dollar continued to weaken and some of the commodity currencies reached levels not seen since the collapse of Lehman Brothers.

Although currencies broadly strengthened against the US Dollar, the move in Asia was noticeably weaker than other parts of the world. The Asian central banks have returned to a policy of reserve accumulation which has acted to mute the downward pressure on the US Dollar in the Asian region. The average appreciation in May was approximately 2.5% versus up to 10% for some G10 currencies.

The Programme began May on a downtrend and choppy markets conditions through May prevented a recovery. Overall, the Programme returned -1.47% (gross of fees). This weak performance in May has pushed the year to date return down to 0.4% (gross of fees).

The key driver of the negative return was a long exposure to the US Dollar versus the Singapore Dollar. The losses on this currency pair more than offset winning long positions in the US Dollar versus the Taiwanese Dollar and Korean Won (both of which actually weakened over the month).

As we highlighted in recent months, we expect risk appetite to remain fragile and to be subject to quick reversals. Further, the sharp decline in the US Dollar (which became more extreme in May) creates a difficult environment for the Asian currencies; as it would seem that global stability, rather than US Dollar weakness, is the primary driver for the Asian currencies.

Additionally, it appears that investors have fully priced in a positive scenario for Asian assets (the inflows into EM equity funds in the past 12 weeks up until the end of May has seen roughly the same magnitude of net inflows as for the entirety of the years 2005 and 2006). Going forward, we believe that caution is warranted. To that end, we expect the Programme to maintain a flexible approach to positioning

Despite the continuing volatile market environment (as can be seen in the intra-month movements in returns for the Programme), our disciplined implementation of stop losses and take profits for every position in the Programme continues to provide downside protection and facilitate the capture of upside potential. During May, our tail risk indicators declined further; consequently, the Risk Adjusted Trade Size ('RATS') for each position was modestly increased. In spite of the sharp swings in daily returns, drawdowns were again effectively contained in May; the largest daily drawdown was -0.79% on the 22nd May.

Cambridge Strategy Asian Markets Alpha Monthly Returns

Year	YTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2006	**11.57%**		1.24%	1.01%	3.13%	-2.33%	0.42%	2.05%	0.37%	-0.61%	2.51%	0.06%	3.30%
2007	**33.58%**	0.40%	-0.53%	1.63%	3.04%	1.61%	1.55%	0.33%	4.48%	9.81%	3.61%	4.14%	-0.33%
2008	**7.90%**	1.58%	-1.18%	0.82%	0.83%	-2.57%	1.08%	1.27%	0.30%	2.55%	2.44%	0.41%	0.21%
2009	**0.41%**	2.02%	0.94%	-1.29%	0.25%	-1.47%							

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)