

Extended Markets Alpha Programme Monthly Report

May 2009

PERFORMANCE ANALYSIS (All Accounts)

Extended Markets Alpha Programme (April 2004 to May 2009)

Return Summary

Latest Month	1.01%
Year to Date	5.72%
Last 12 Months	10.97%
Annualised Return	14.87%
Sharpe Ratio	1.57
Return to Date	104.66%
% Trading Days Up	61%
% Trading Days Down	39%
Maximum Daily Drawdown	(1.92%)
Maximum Monthly Drawdown	(2.53%)
CS Character	3.14
CS Ratio	4.94
Annualised Daily Volatility	6.77%
Annualised Monthly Volatility	7.26%

Return Statistics for May 2009

Maximum Daily Drawdown	(1.81%)
Days to Recovery	na
% Trading Days Up	48%
% Trading Days Down	52%

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.

Sentiment toward the US Dollar was further eroded by Standard & Poors' announcement that it was reducing its outlook for UK government debt from stable to negative and it highlighted other countries with deteriorating public finances and a reliance on a AAA credit rating. Although official rates were generally stable over the month, the US Federal Reserve noted that there was potential for more quantitative easing. The only major central bank to cut rates in May was the ECB which cut by 0.25% to 1.00%, within expectations. They did, however, make a significant policy shift by announcing that they would purchase EUR60bn of bonds (which hinted toward further quantitative easing within the Euro Zone).

While intra-month returns were quite choppy during May (with daily returns ranging between +1.9% and -1.8%), the Programme returned 1.01% (gross of fees) for the month and continued to recoup the losses incurred in March. It has returned 5.72% (gross of fees) thus far in 2009.

The key drivers of positive returns were short positions in the US Dollar versus the Australian Dollar, Japanese Yen, Euro and Turkish Lira. These winning positions more than offset losses from long positions in the US Dollar versus the British Pound, South African Rand, Singapore Dollar and Polish Zloty.

As we highlighted in recent months, we expect risk appetite to remain fragile and to be subject to quick reversals. To that end, we expect to maintain a flexible approach to positioning in the Programme.

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 -1.81% on the 11th May.

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	5.72%	6.09%	0.71%	-2.53%	0.50%	1.01%							

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).

Risk Warning:

This brief statement does not disclose all of the risks and other significant aspects of trading in currencies and options. The Cambridge Strategy (Asset Management) Limited manages for and advises to professional investors only. Investors must bear in mind that this type of investment can be volatile, values can decrease as well as increase and that past performance is no guarantee of future performance.