

Extended Markets Alpha Programme Monthly Report

December 2008

PERFORMANCE ANALYSIS (All Accounts)

Extended Markets Alpha Programme (April 2004 to December 2008)

Return Summary

Latest Month	0.53%
Year to Date	4.84%
Last 12 Months	4.84%
Annualised Return	14.92%
Sharpe Ratio	1.60
Return to Date	93.59%
% Trading Days Up	62%
% Trading Days Down	38%
Maximum Daily Drawdown	(1.92%)
Maximum Monthly Drawdown	(1.87%)
CS Character	3.17
CS Ratio	5.06
Annualised Daily Volatility	6.57%
Annualised Monthly Volatility	7.02%

Return Statistics for December 2008

Maximum Daily Drawdown	(1.44%)
Days to Recovery	9
% Trading Days Up	50%
% Trading Days Down	50%

Year end market conditions are traditionally volatile and market liquidity, thin. December was no different, and indeed, was particularly severe this year given the continuing global financial maelstrom. Consequently, positions were scaled back significantly early in the month, however, the programme returned +0.53% on a gross basis for the month and +4.84% (gross) for 2008.

An example of these extreme conditions can be seen in the Euro/ US Dollar. After trending steadily lower from the mid 1.50's in the summer to the mid 1.20's by early December, it then rallied to 1.48 in just six days before settling at year end at approximately 1.40 (an unprecedented and unexpected move, exaggerated by the abnormally illiquid conditions).

As in recent months, central banks continued to cut rates and governments desperately tried to unlock credit markets and add further fiscal stimuli. Economic data continued to weaken in December and investor risk aversion remained at very high levels.

Both the Developed and Developing Markets components of the Programme contributed positively to the Programme's return during the month. The key positive contributors were short Russian Rouble and long positions in Euro, Australian Dollar against the Japanese Yen and the US Dollar.

In December, we again successfully contained drawdowns, with the largest daily drawdown being -1.44% on the 8th December. Our uncorrelated "Hard" VaR continues to be close to our Monte-Carlo VaR, as we have reduced the number of positions in recent months. The extensive focus on our risk management systems has positively contributed to performance during these extreme market conditions, and we remain very confident that risk is well controlled.

We do not expect market sentiment to improve anytime soon; however, we continue to implement our Systematic Trading Strategies with a careful eye; not only on trading, strategy and portfolio risk, but also liquidity issues. That said, we believe that the conditions are certainly in place for the Programme to generate ongoing alpha in the coming months. Furthermore, we expect the negative correlations we have observed this year with many other asset classes to continue bringing ongoing diversification benefits to our investors.

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%

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.