

## Extended Markets Alpha Programme Monthly Report

October 2008

### PERFORMANCE ANALYSIS (All Accounts)

#### Extended Markets Alpha Programme (April 2004 to October 2008)

##### Return Summary

Latest Month	1.40%
Year to Date	1.75%
Last 12 Months	3.11%
Annualised Return	14.75%
Sharpe Ratio	1.54
Return to Date	87.89%
% Trading Days Up	62%
% Trading Days Down	38%
Maximum Daily Drawdown	(1.92%)
Maximum Monthly Drawdown	(1.87%)
CS Character	3.20
CS Ratio	4.92
Annualised Daily Volatility	6.09%
Annualised Monthly Volatility	5.95%

##### Return Statistics for October 2008

Maximum Daily Drawdown	(1.92%)
Days to Recovery	n/a
% Trading Days Up	48%
% Trading Days Down	52%

Market conditions remained challenging in October, however, the Programme returned +1.40% for the month and +14.75% per annum since inception.

Unprecedented market moves occurred in October, as political uncertainty was added to the mix (with Central Banks and the G7 intervening in markets in an attempt to improve sentiment). This was largely ineffective, with some currency pairs having intraday moves in excess of 10%. Further, the US Dollar rallied strongly during the month against both the major and Asian currencies.

Risk aversion remained high during the month, with our Global Volatility Indicator reaching its highest ever level (as a consequence, we are some way away from contemplating initiating a Systematic Fundamental Strategy allocation); and our Systematic Technical Strategy currently accounts for all the Programme's allocations.

The Asian component of the Programme contributed strongly to performance over the month. The key positive contributors were short the Korean Won, Singapore Dollar, Taiwan Dollar and Australian Dollar. We remain long the Japanese Yen, which also produced positive returns this month.

In the Developed markets element of the Programme, the portfolio lost ground in the first few days of the month and failed to re-coup losses as volatility spiked. Our trade signals were reduced due to the extreme widening in short term volatility (the trade entry filters in our model nullify trade signals if volatility surpasses our criteria).

During the month, drawdowns remained contained. As many of you are aware, our Tail Risk Indicators remain high, limiting risk, and our uncorrelated "Hard" VaR remains close to our Monte-Carlo VaR, as the notional number of positions has significantly declined in the last several months.

The application of our risk management system has positively contributed to performance during these extreme market conditions, and we remain very confident that risk will remain well controlled, and risk adjusted returns will remain high. Market conditions remain poor and many longer-term positions have been closed out; as short-term flows are dominating market moves. Currently, we do not see current conditions improving dramatically, but towards the end of the month, volatility did decline to more sensible levels, and we believe that the conditions are certainly in place for the Programme to continue to generate alpha, and for our negative correlation to many asset classes to continue to bring benefits for 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	1.75%	-0.30%	-1.28%	0.52%	1.43%	-0.47%	-0.47%	1.26%	0.21%	-0.52%	1.40%		

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.