

Asian Markets Alpha Programme Monthly Report

October 2009

PERFORMANCE ANALYSIS (All Accounts)

Asian Markets Alpha Programme
(February 2006 to October 2009)

Return Summary

Latest Month	0.68%
Year to Date	2.51%
Last 12 Months	3.14%
Annualised Return	14.26%
Sharpe Ratio	1.52
Return to Date	64.84%
% Trading Days Up	53%
% Trading Days Down	47%
Max Daily Drawdown	(1.95%)
Max Monthly Drawdown	(2.57%)
CS Character	2.92
CS Ratio	4.43
Annualised Daily Volatility	10.83%
Annualised Monthly Volatility	7.09%

Return Statistics for October 2009

Largest Daily Drawdown	(1.12%)
Days to Recovery	5
% Trading Days Up	55%
% Trading Days Down	45%
Average Up Day	0.43%
Average Down Day	(0.45%)

The Asian Markets Alpha Programme delivered a small positive return in October of 0.68% (gross of fees), bringing the year to date performance to 2.51% (gross of fees). The bullish sentiment toward Asia (largely resulting from increased appetite for risk seeking assets) that was apparent in September carried through for most of the month.

However, late in the month the course reversed somewhat when Brazil announced a 2% tax on foreign capital inflows. This fed fears that the Korean authorities would follow suit by restricting foreign banks from borrowing offshore (as they did in 2007). While these fears have turned out to be unfounded thus far, the effect was enough to result in a reduction in risk appetite by many investors as the month end approached. The Programme was positioned long Asian currencies versus the US Dollar for much of the month (and exited many trades as the take profit levels were achieved). While the fears from Brazil did somewhat reduce the gains from these positions, they were still the key driver of positive performance.

The primary negative contributor to performance over the month was a short Australian dollar position against several Asian currencies. The losses were largely triggered by a surprise rise in interest rates in Australia early in October, followed by expectations of further rises. Coupled with continued buying of the Australian Dollar by China (as part of their currency reserve diversification activities); the net effect was a sharp appreciation of the Australian Dollar.

Although risk aversion wavered in late October, the Programme remains generally long Asian market currencies (although exposures are highly directed into specific currencies). It is clear to us that there is significant upward pressure on the Asian currencies, despite the many central banks' ongoing efforts to hold them back.

Our Global Volatility indicator saw a small increase as uncertainty re-emerged in the latter stages of the month postponing once again the possibility of re-entering our Fundamental Portfolio. Our tail risk indicators increased slightly in October; consequently, the Risk Adjusted Trade Size ('RATS') for each position was decreased marginally. In spite of the volatility in daily returns, drawdowns were again effectively contained

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	2.51%	2.02%	0.94%	-1.29%	0.25%	-1.47%	0.33%	0.33%	-0.44%	1.18%	0.68%		

Performance figures calculated are Gross of fees and exclude interest income

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 (Investment 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.

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