The Cambridge Strategy

7th Floor, Berger House, 36-38 Berkeley Square, London. W1J 5AE   Tel: + 44 (0)20 7659 9840

Extended Markets Alpha Programme Monthly Report

October 2009

PERFORMANCE ANALYSIS (All Accounts)

Extended Markets Alpha Programme (April 2004 to October 2009)

Return Summary

Latest Month	(3.66%)
Year to Date	0.71%
Last 12 Months	3.76%
Annualised Return	12.70%
Sharpe Ratio	1.28
Return to Date	94.96%
% Trading Days Up	60%
% Trading Days Down	40%
Maximum Daily Drawdown	(1.92%)
Maximum Monthly Drawdown	(6.09%)
CS Character	3.21
CS Ratio	4.11
Annualised Daily Volatility	6.66%
Annualised Monthly Volatility	7.41%

Return Statistics for October 2009

Maximum Daily Drawdown	(0.84%)
Days to Recovery	n/a
% Trading Days Up	41%
% Trading Days Down	59%
Average Up Day	0.23%
Average Down Day	(0.44%)

The Extended Markets Alpha Programme experienced its worst month since inception in October, returning -3.66% gross of fees. This disappointing performance has largely eroded the positive performance this year and the Programme is now up only 0.71% for the year through October. The month was particularly difficult as the currency markets were highly volatile and the Programme suffered due to a series of false breakouts against the US dollar in the last half of the month.

The Programme started the month short the Australian dollar but an unexpected 25 basis point increase in interest rates by the Australian central bank saw the Australian dollar strengthen sharply. As a consequence we were stopped out of this position and moved it into a long Australian dollar position by mid-month. However, sentiment reversed when Brazil announced a 2% tax on foreign capital inflows. The US Dollar spiked up sharply and was strong for several days which saw the Programme again stopped out and repositioned on the short side. Volatility remained high through to the end of the month. Overall, the Australian Dollar was the most significant negative contributor to performance.

Although the Programme started the month long the other G7 currencies against the US Dollar and made money on these trades, the dollar's reversal and subsequent volatility resulted in a loss on almost all of the G7 positions. On the other hand, the Programme was long emerging markets risk over the month and had positions across many currencies. The Programme generally benefited from these trades as the dollar on balance weakened against the higher risk currencies. The Russian Ruble and Mexican Peso were among the top emerging markets contributors to performance.

While the historical diversification benefits between the Developed and the Developing markets in the Programme were apparent in October, the moves in the Developed markets were of sufficient magnitude to offset these benefits. Our Global Volatility indicator saw a small increase as uncertainty increased in the latter stages of the month; once again postponing the possibility of investing in our Fundamental Portfolio. Our tail risk indicators increased slightly in October; consequently, our risk management systems have reduced the Risk Adjusted Trade Size ('RATS') for each position in the Programme (this reduction of portfolio risk has continued in November).

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	**0.71%**	6.09%	0.71%	-2.53%	0.50%	1.01%	-1.55%	0.40%	0.70%	-0.66%	-3.66%		

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).*