

Global Emerging Markets Alpha Programme Monthly Report

October 2009

The Global Emerging Markets Programme performed well in October, returning 2.74% (gross of fees), bringing the year to date performance to 22% (gross of fees). During the month, all regions of the Programme positively contributed to performance, Latin America was the strongest contributor, followed by Asia.

PERFORMANCE ANALYSIS (All Accounts)

Global Emerging Markets Alpha Programme (February 2008 to October 2009)

Return Summary

Latest Month	2.74%
Year to Date	22.00%
Last 12 Months	23.31%
Annualised Return	16.28%
Sharpe Ratio	2.95
Return to Date	30.21%
% Trading Days Up	55%
% Trading Days Down	45%
Max Daily Drawdown	(1.89%)
Max Monthly Drawdown	(1.14%)
CS Character	2.53
CS Ratio	7.43
Annualised Daily Volatility	8.57%
Annualised Monthly Volatility	5.02%

Return Statistics for October 2009

Largest Daily Drawdown	(1.39%)
Days to Recovery	5
% Trading Days Up	55%
% Trading Days Down	45%
Average Up Day	0.65%
Average Down Day	(0.50%)

During the month, many central banks in the emerging markets continued to slow the pace of appreciation in their domestic currencies by directly intervening in the foreign exchange markets. The implementation of a 2% tax on foreign capital inflows in Brazil late in the month; coupled with some profit taking, resulted in a significant reversal in the short US Dollar versus Long Emerging Markets Currencies positions that had been profitable for the previous few months.

The Programme started the month generally long Emerging Market currencies versus the US Dollar, which saw strong returns as markets continued to rally. Good performance within the Asian component resulted from long positions in the Malaysian Ringgit and the Indonesian Rupiah, both of which hit their take profit targets in the first half of the month. During the second half of the month, sentiment turned and profit taking saw Asian currencies depreciate. The result of this was that the short Singaporean Dollar position instigated in September performed strongly.

Within the LATAM component, the Long Brazilian Real position performed well in the early stages however the tax initiatives introduced in the later part of the month saw the position rapidly come under pressure and the Programme was stopped out of the position with a small profit. The strongest positive contributor came from a long Chilean Peso position which was entered in the early stages of the month. A short Colombian Peso position initiated mid month saw significant gains as intervention and market sentiment drove the US Dollar higher.

Within the EMEA component, well established short South African Rand and Turkish Lira positions were the main positive contributors; whilst Eastern Europe again delivered lacklustre performance as the region grappled with its fundamental economic problems.

Global optimism wavered in late October and the Programme remains generally long emerging market currencies (although exposures are highly directed into specific regions). 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 Global Emerging Markets Alpha Monthly Returns

Year	YTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2008	6.73%		1.18%	0.51%	0.91%	-1.14%	0.32%	1.64%	-0.29%	0.25%	2.11%	0.90%	0.18%
2009	22.00%	4.22%	1.44%	4.04%	3.82%	1.54%	1.46%	1.11%	-0.11%	-0.06%	2.74%		

Performance figures calculated are Gross of fees. The performance data quoted relates to the equal weighted average of the managed accounts with exposure to the Emerging Markets Alpha Programme. From April 2009, this composite carve-out includes managed accounts solely invested in the Global Emerging Markets Alpha Programme (US\$ performance, excluding cash income). 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.