

Extended Markets Alpha Programme Monthly Report

September 2009

PERFORMANCE ANALYSIS (All Accounts)

Extended Markets Alpha Programme (April 2004 to September 2009)

Return Summary

Latest Month	(0.66%)
Year to Date	4.53%
Last 12 Months	9.21%
Annualised Return	13.67%
Sharpe Ratio	1.45
Return to Date	102.37%
% Trading Days Up	60%
% Trading Days Down	40%
Maximum Daily Drawdown	(1.92%)
Maximum Monthly Drawdown	(2.53%)
CS Character	3.17
CS Ratio	4.60
Annualised Daily Volatility	6.65%
Annualised Monthly Volatility	7.18%

Return Statistics for September 2009

Maximum Daily Drawdown	(0.38%)
Days to Recovery	n/a
% Trading Days Up	45%
% Trading Days Down	55%
Average Up Day	0.16%
Average Down Day	(0.19%)

High levels of volatility in the G-10 currencies undermined our models in September. We were short the dollar over most of the month which worked initially as risk aversion spiked. But risk aversion quickly reversed and we were stopped out of several positions which hurt our overall performance. The Programme was down -0.66% (Gross of Fees) for the month of September but has returned a positive 4.53% for the year to date (Gross of Fees).

On the other hand, the programme enjoyed solid performance in Asia particularly from long positions in the Korean Won, Chinese Yuan and Taiwanese Dollar. Whilst Asian central banks were active in preventing too rapid an appreciation in their domestic currencies, the general trend was to allow for constructive, managed appreciation. The programme performed well in this environment hitting take profits on long Korean Won and Taiwanese Dollar positions. A short Singapore Dollar position was initiated intermonth which performed strongly in the final week of September. In the Latin American region our long Brazilian Real position continued to see strong performance. However, a long Peruvian Sol position initiated in the last quarter of the month, contributed negatively to performance into the close of the month. Our long Mexican Peso position performed well in the start of the month however this position moved against us and was stopped out towards month end.

Looking further ahead it seems the US Dollar is fast becoming a favourite substitute for the Japanese Yen as a funding source for the carry trade, due to its extremely low interest yield. In addition, the Euro may show further strength thanks to continuing signs of economic recovery inside the Eurozone, and ongoing questions surrounding economic fundamentals of the US and UK.

Global optimism continued to grow in September. Some meaningful trading ranges were broken in several of the emerging market currencies and we expect further strong currency appreciation going forward. We remain generally long emerging market currencies and are optimistic about putting in a solid 4th quarter's performance as these trends continue. Our Global Volatility indicator continues to fall to levels not seen since before the crisis, a clear indication of markets returning to some normality. A continuation of this trend would see us re-enter our Fundamental model in the coming months. Our tail risk indicators remained relatively stable again throughout September; consequently, the Risk Adjusted Trade Size ('RATS') for each position was steady. In spite of the continued swings in daily returns, drawdowns were again effectively contained within parameters.

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	4.53%	6.09%	0.71%	-2.53%	0.50%	1.01%	-1.55%	0.40%	0.70%	-0.66%			

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).

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.