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Currency volatility pays for Cambridge

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The huge gyrations across global money markets are proving to be a nightmare for companies and a headache for investors trying to spot long-term trends. However, currency manager The Cambridge Strategy is making money out of the volatile trading conditions.

Over the year to December, its broadly-based extended strategy produced 9.5%, in line with gains in the preceding two years. Over three years, it has produced an annualised 9.9%.

Annualised returns between launch in April 2004 and this February were 15.9%, although the fund has suffered a dip of 1.6% in the first two months of this year. Its annualised standard deviation is 6.3%, producing a ratio of return over risk of 1.6, well over the norm of one.

Cambridge's chairman is Edward Baker, who is the former emerging markets investment chief at AllianceBernstein and has a background in mathematics. Its chief investment officer is Russell Thompson, former head of trading at AIG in Asia.

Senior portfolio manager Andrew Pether used to be a proprietary trader at JP Morgan. Chief executive Peter Henricks is former chief executive of Alliance Capital in Asia.

In developed markets it operates a systematic technical strategy across currency pairs designed to add value in diverse market environments.

In Asian currency markets, a speciality, the managers use the technical strategy, plus a fundamental strategy that aims to anticipate currency movements due to investment flows. A similar model is being road-tested for other emerging markets.

In volatile markets, Cambridge's allocations through the fundamental model are cut right down in size. When volatility is low and steady flows of capital resume, it uses the fundamental model extensively.

Derek Doupe, director of marketing and former alternatives director at Frank Russell, said Cambridge had been using its technical model to generate returns since November. Its trades have included long positions in the Japanese yen and the Philippines peso against the US dollar.

In Asia, it has produced an annualised return of 18.4% since launch in February 2006, making the product a top performer.

Cambridge's Asian and developed market strategies are combined in its broad extended programme and an overlay strategy is also on offer.

Fees follow the hedge fund pattern, comprising an annual 2% plus 20% of performance over the high-water mark.

Cambridge manages funds worth \$170m and looks after advisory business worth \$200m. New mandates are in the pipeline.

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