TRILOGY GLOBAL ADVISORS

Market Comments

May 1, 2008

Global equity markets staged a strong rebound in April, after posting sharp losses in the first quarter. In U.S. dollar terms, the MSCI World Index rose by about 5% during the month, which erased roughly half of the loss posted during the first quarter. That left the index down by about 5% for the year to date. Emerging market equities performed even better than developed market equities in April, with the MSCI Emerging Market Index posting a strong gain of 8.1%. That brought the decline in that index to a loss of 3.8% for the year to date.

The strong gains in April appeared to represent a follow through from the relief rally that began in mid-March following the Fed's actions to deal with the Bear Stearns crisis. By extending its lending facility to other primary broker-dealers, the Fed effectively ended fears of a chain reaction of bankruptcies in what is now called the "shadow banking system" composed of highly leveraged intermediaries like hedge funds and investment banks. In the aftermath of the Fed's actions, credit spreads have narrowed massively and fears that credit troubles would lead to a coordinated global recession have eased. In addition, while economic data in the developed nations has generally remained weak, it has been somewhat better than expected in many nations. In particular, in the U.S. the data has lent support to the view that the economy may narrowly avert outright recession, even if the recovery turns out to be tepid due to the impact of the credit crisis.

As worries about global growth have receded somewhat, concerns about inflation have mounted. With prices for agricultural commodities having soared and with the price of oil having risen to above $120 a barrel during the month, central banks in many key emerging markets may face increasing pressure to tighten monetary policy in coming quarters even as growth remains sluggish in the advanced industrial nations. Central bankers in the U.S. and Europe also now have reduced scope for further easing due to heightened concerns about inflation. The potential for inflation concerns to trigger further market volatility is likely to be a key issue for the remainder of the year. The tendency for many major emerging market nations to subsidize energy consumption is placing more of the burden of adjustment back on consumers and businesses in the developed nations by forcing them to cut back on energy-intensive economic activity. The sooner energy prices and other prices begin to stabilize or correct, the more positive the outlook for global growth and markets. In contrast, a further "super-spike" in commodity prices from current level would be likely to generate serious worries about a more pronounced global slowdown ahead.

In our global equity portfolios, we currently have approximately 49% exposure to North America, 27% to Europe, 13% to Japan, 7% to the emerging markets, and 4% to the developed markets of Asia-Pacific excluding Japan. In terms of sector exposures, we currently are tilted toward the information technology, health care and consumer discretionary sectors and are tilted away from the financial, consumer staples, materials, energy, and utilities sectors.