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MONTHLY UPDATE

Trident Investment Management, LLC
Opportunities Funds Commentary

April 30, 2006

Performance Summary

Global markets had a strong April with the commodity markets being particularly buoyant. The S&P 500 was up 1.34%, the Nikkei down 0.90% and the MSCI Europe Index up 4.74% in U.S. dollars. Gold was a wonderful performer on the month up 11.56%, ending the month at $654.5 US an ounce. Oil also had a strong month, up $4.93 to $73.5 US per barrel of WTI crude. Bonds suffered globally with the 10-year U.S. Treasury rising in yield by 0.20% to end the month at 5.05%. The U.S. dollar also suffered with the trade weighted dollar falling 4.03% on the month.

Market Outlook & Portfolio Strategy

Our funds showed strong performance in April. Virtually all of our main ideas worked – our long positions in gold, our longs in the yen, euro and other Asian currencies against the U.S. dollar, and our longs in energy. Rather unusually, our short positions in U.S. financials and consumer stocks also helped performance at the same time.

One of the most exciting opportunities we see today is in the global credit markets. Bond issuance is at record levels as companies of every ilk rush to lock in what are still very low yields. With global risks remaining very high, what is paradoxical is that credit spreads are at all-time tights, suggesting that markets do not believe that the corporate sector faces any risks at all. One would think that with rising rates, a slowing housing market and consumer leverage at record highs that risk would be a concern that would dominate markets. Rather amazingly, however, the consensus is that there is no more risk and that permanent low rates are here to stay. Credit market participants are rushing into every investment that provides a spread over Treasury instruments without paying attention to the reasons why a risk spread might even be necessary.

An extremely perverse development over the last few years in the credit market has been that of the Collateralized Debt Obligation (CDO). (A CDO is a bond issued against a portfolio of underlying bonds, sometimes with multiple tranches of such bonds issued against this portfolio with differing levels of subordination and risk). The CDOs, as such, are similar to the Collateralized Mortgage Obligations (CMOs) which were pioneered in the early 1980s in which the underlying portfolio was made up of pool of mortgages usually guaranteed by the U.S. government or agencies such as Fannie Mae.

The main reason for the CMO market's explosive initial growth was the dire situation in which most thrift institutions were at that time. U.S. thrifts in 1980 were bankrupt because their mortgage portfolios had huge unrecognized losses that resulted from high interest rates and falling prepayments. They had no chance of survival since they could not raise funds from the capital markets given their weak financial position. The CMO was created as a way to achieve two objectives – to allow markets to lend the thrifts money with specific mortgage collateral, while simultaneously allowing the thrifts in question to avoid taking the mark-to-market losses that these quasi-sales of their mortgages would entail. These bankrupt institutions were free to use the funds so obtained in some of the most speculative activities of that decade such as sponsoring the junk bond boom – after all, why invest responsibly when you are already bankrupt several times over? All this said, there was still a logic to CMOs. Mortgages typically were 30-year instruments and there was no simple way to obtain shorter duration exposure to them or exposure without significant prepayment risks except through these vehicles. The seller of the CMO thus, was able to arbitrage the differing risk preferences of buyers and potentially obtain a better price for his portfolio even net of the absurdly high Wall Street structuring fees. In any event, the CMO excesses of the 1980s culminated with the total bankruptcy of most of the thrifts in the U.S. with the taxpayer picking up the pieces via the Resolution Trust Corporation.

The CDO market has much less to recommend it than the CMO market did. The CDO purportedly provides the benefits of a diversified bond portfolio to the purchaser. However, the instrument's main purchasers are large financial institutions and funds whose main job is to manage their portfolios actively for such diversification. However, a CDO provides one advantage that a diversified bond portfolio does not – it does not get marked to market unless losses in the underlying portfolio are so severe that certain triggers are set off. Thus, the losses here come in big discrete steps when the deterioration in credit gets larger, allowing for the façade of stability in the short run and ensuring the sanctity of

performance-based paychecks. In an environment where risks are high and rising thus, many of the largest and supposedly most sophisticated investors are purchasing huge quantities of these CDOs because they are perceived to have less risk! Wall Street has enthusiastically endorsed this by coming up with even more complex and ridiculous products such as the CDO on the CDO (or the CDO-squared).

To add insult to injury, an industry of credit insurers has sprung up to insure these CDOs (as well as other exotic instruments). These insurers guarantee the senior bonds of these CDO structures boosting their ratings to AA or higher. Amazingly, the largest few of these insurance companies currently insure over $1.5 trillion in risk (spread among municipal and corporate bonds, asset backed securities, CDOs etc.) while having a claims-paying ability of under $20 billion. For all practical purposes, these companies are not regulated except by the rating agencies that opine on the value of their guarantees. Unfortunately, we have in them the worst form of excess – a set of institutions that are effectively ensuring systemic risk at a time when such risk is at all time highs. These companies are truly too big to fail, but yet not regulated enough to ensure their soundness. And these structures have never yet withstood a real recession since these companies did not even exist in their current form in the early 1980s.

One of our largest investment positions is a short position on corporate credit. We feel that the current credit bubble is likely to be the next one to pop given an environment of rising interest rates. When it does, we expect significant ripple effects especially in the overall financial system.

We hope that our performance in April is a harbinger of things to come. We feel that markets may finally be coming around to our world view. If that is the case, we have many more ideas we can exploit. In fact, the more sober the markets become, the more of a smorgasbord of opportunity we will have in what we hope will be an investment feast.

Fund Performance

Trident Global Opportunities Fund

Performance as at April 30, 2006

1 Mth.	3 Mth.	6 Mth.	1 Yr.	2 Yr.	3 Yr.	5 Yr.	YTD	Since Inception (Feb. '01)
9.7%	5.1%	14.2%	15.3%	6.3%	9.1%	4.5	12.1%	5.4%

CI American Opportunities Fund

Performance as at April 30, 2006

1 Mth.	3 Mth.	6 Mth.	1 Yr.	2 Yr.	3 Yr.	5 Yr.	YTD	Since Inception (Oct. '99)
11.1%	5.7%	15.9%	17.6%	9.1%	7.0%	1.8%	12.9%	7.0%

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