

WARRINGTON

A S S E T M A N A G E M E N T

April 2006 Market Commentary

Warrington began April with a slightly bearish market position, as the S&P 500 futures had a moderate retracement at the end of March. While there was no sustained follow-through to this downward move, Warrington retained slightly bearish posture. After making new highs for the year (on April 7th), the S&Ps had a strong intraday reversal and closed significantly lower. This trend continued over the next few days, up to the week of options expiration. During this decline, we sold out of a partial position of long puts, capturing profits. These sales were well-timed, as the S&P 500 rallied over 3% during options expiration week to regain new highs for the year. After expiration, the S&P 500 resumed the range-bound trading seen during the better portion of March. With this nominal volatility, our May option positions ended on a positive note, helping us add to the gains made through expiration.