WARRINGTON
ASSET MANAGEMENT

April 2008 Market Commentary

For the S&P 500 stock index, the month of April began quite strongly with a 4.84% rally over the first five trading days. Over the next week, the market would completely give back those gains, only to fully regain them by the end of the month with a positive 4.75% return. This seesaw-action fit well within Warrington's strategy, allowing us to buy ratio put spreads when the market was up strongly and, conversely, to buy call spreads when the market was lower. By doing this, we were able to lock in gains and ensure profitability over a very wide range in the S&P.

Even though the market has rebounded quite a bit from the lows of January and March, volatility (as measured by the VIX) has remained in an area that has historically been quite conducive to generating profits for Warrington. The VIX is decidedly lower than the panic lows from the Société Général and Bear Stearns scares (ranging from 35 to 38), but is still hovering in the low 20s (up from readings below ten from late 2006 and early 2007). This has allowed us to keep position sizes below normal while preserving substantial profit potential.

Near the end of the month, we were able to realize profits on a small position of ratio put spreads which expired at the end April. Both this and the position that expired at the regular April expiration allowed us to record the best performance for the fund so far this year.

At the end of April, we bought a partial position of ratio put spreads expiring in May to take advantage of a retracement in the stock market, should one occur.