

# WARRINGTON

## ASSET MANAGEMENT

### April 2009 Market Commentary

The rally that began from the lows in early March continued into April. In a rally reminiscent of market activity before the credit crunch and deleveraging began in late 2007, the S&P 500 index rose steadily for a 9.4% increase with almost no pullbacks during the month.

Entering April with a partial position of ratio put spreads, the manager was positioned for a decline in the stock market while also seeking to minimize the risk of losses from further rallies. Given the vicious selloff in the January through early March period, a sharp bear market rally was anticipated. However, given the depth and breadth of the structural financial problems facing the economy, the manager currently believes that any rally is only a bear market rally, and not the start of a new bull market in stocks.

As the market steadily climbed, the manager adjusted the ratio put spreads that it held, positioning the fund to potentially capitalize on a retracement in the S&P 500. Such a decline never materialized as the stock market rallied through the end of the month. The put spreads that the fund held expired out-of-the-money, incurring a small loss from the net cost of the positions.