



## **December 2011 Market Commentary**

After a strong rally at the end of November and quite a bit of directionless churning in the first two weeks of December, the S&P 500 futures declined moderately during the week of options expiration. Warrington was positioned for this move with ratio put spreads, and the portfolio manager was able to successfully capitalize on the 4.1% decline. While the portfolio would have profited by an even greater amount should the index have dropped further, the gains from December propelled Warrington to a strong year for both absolute and relative performance.

The S&P was up approximately 0.5% in December, but that number masked the true volatility of the stock market during the month. The index saw a steady decline of 5.6% from the early highs to the lows set in the third week, but then a sharp rally of 5.7% left the index near the level of those earlier highs by the close of the month.

This type of volatility can often work to Warrington's benefit as November and December of this year have shown. Taken together, this was the best two-month period since October and November of 2007, and the full year performance of positive 8.6% made Warrington the second best performing fund on the entire Morgan Stanley Smith Barney Managed Futures platform for 2011.