WARRINGTON
ASSET MANAGEMENT

February 2009 Market Commentary

February was similar to January in that both months began with moderate rallies in the S&P 500 which were subsequently erased, then followed by substantial losses. February started with a 6.1% rally in the S&P in the first week of the month which then reversed, declining 16.1% from those highs to close the month down 10.94%.

In what was a terrible month for the major stock indices, Warrington was able to navigate the relentless selling pressure to earn significant positive returns. The manager was able to do this by employing a fractional position of ratio put spreads to capture profits during the market declines. As the S&P 500 dropped further near the end of the month, the manager chose to eliminate all outstanding downside exposure, locking in profits while also protecting the portfolio from continuing market weakness.

The ability to quickly liquidate positions and put the portfolio into cash while the market is falling is a key differentiator between Warrington and most other money managers. As was seen last fall as well as in the first two months of this year, this focus on risk management has helped to preserve the clients' capital while also allowing the manager to seek out advantageous option spreads when the risk / reward relationship is stilted firmly in favor of earning profits.