WARRINGTON
ASSET MANAGEMENT

# February 2010 Market Commentary

February proved to be a month where the benefits of the Warrington fund's non-correlation to the stock market was clearly demonstrated. With the S&P 500 index declining aggressively, down 5.3% in three trading days in the beginning of February (and down 9.25% from the highs in the middle of January), Warrington was able to not only protect capital but also earn substantial profits. In fact, for the entire month of February Warrington's Net Asset Value (the NAV) was greater than at the close of January, meaning that at no point in February was Warrington losing money for the month.

Entering February Warrington held multiple ratio put spreads in its portfolio, anticipating a lower stock market. As the market declined in the beginning of the month, the manager acted preemptively to protect the portfolio against further stock market declines while retaining significant profit potential. As options expiration approached, the market stabilized and the manager closed its positions and locked in the fund's most profitable month since February, 2009 (also a month where market declines and volatility benefited Warrington).