

WARRINGTON

A S S E T M A N A G E M E N T

February 2011 Market Commentary

In a continuation of the recent trend, February started off strong with a gap move higher on the first day of the month, and then traded successively higher for the next two and a half weeks before peaking on options expiration day. With the S&P futures experiencing nearly no downside during this period, it was not in the portfolio's best interests to implement ratio call spreads and the ratio put spreads held by the fund expired worthless, incurring a small loss for the fund through the regular options expiration day.

In the days following expiration, unrest in the Middle East spread from Egypt to Libya and Bahrain, sending WTI crude oil up 15.3% in three days. This sent shockwaves through world equity markets and the S&P 500 futures quickly sold off 3.7% before rallying to the end of the month. The fund held ratio put spreads expiring at the end of February which became profitable on this move lower and the manager was able to lock in enough profit to offset the losses from the regular expiration and to show net gains for the month. Incidentally, had the market not rebounded at the end of the month to the degree that it did (a quick 2.78%), the gains for Warrington would have been substantially greater.