WARRINGTON
ASSET MANAGEMENT

January 2009 Market Commentary

For the month of January, Warrington earned a significant positive return in the face of very treacherous stock market conditions. Using conservative position sizing, the manager was able to capitalize on the precipitous decline in the S&P 500, which lost 8.6% for the month. In fact, according to Barron’s the S&P 500 had its worst January since the inception of that index (going back 59 years).

The real declines in the S&P from the high of the month to the low were even more dramatic than that. The month began with a 4.5% gain over the first three trading days, at which point an intra-month 14.8% decline ensued, taking the S&P 500 from the top of the recent trading range to the bottom of that range. Also, the VIX increased 55% from a low around 36.9 up to an intraday peak of 57.36. Even with this large increase in volatility the manager was able to produce a positive return for the month. With a 10.6% differential between Warrington's return and the S&P 500, January proved to be an excellent example of how the fund can profit from both up and down moves in the stock market.