WARRINGTON
ASSET MANAGEMENT

January 2010 Market Commentary

The month of January began with a continuation of the stock market advance dating from middle December. The S&P 500 steadily climbed 3.25% by the middle of the month. At that point, President Obama and his economic advisors unveiled the "Volcker Rule", where banks would not be allowed to invest in hedge funds or private equity funds with their own capital. These restrictions on proprietary trading were interpreted by Wall Street as a warning that more (and potentially punitive) financial regulation may be forthcoming. Stocks reacted very negatively to this announcement, as the S&P declined 4.2% in three days. The remainder of the month was spent oscillating at these lower levels and the S&P finished the month down 3.6%.

Warrington was able to earn a profit for the month, even though the significant decline in the stock market occurred after our January positions had expired. The February positions that the fund held at the end of January did have a slight negative impact on the fund's performance, but not so much as to erase earlier accrued profits.

2010 has so far proven to be significantly different than the second half of 2009. The stock market, having traded in a sideways and then grinding higher pattern, has been replaced with a market that is choppy and volatile. The fund manager appreciates this increase in volatility so far and continues to look for profit opportunities amongst the markets' ups and downs.