

WARRINGTON

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

January 2011 Market Commentary

In a similar fashion to the end of 2010, January started with a generally upward-sloping market, although with less vigor than in previous months. After climbing 3.4% through the middle of the month, the S&P 500 futures experienced a 1.45% decline the day before regular options expiration (which is the third Friday of each month). While this decline was welcomed by Warrington, it was of insufficient magnitude for the fund's long puts to increase substantially in value. The same pattern was repeated to end the month: Warrington held ratio put spreads which expired at the end of January, and the futures declined 1.8% the day before those options expired. The gains from selling those long puts were not enough to offset the total costs of options during the month, and therefore the fund posted a nominal loss.